Risk and Financial Condition Report 2022

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Table of contents

A. Summary **3**

B. Activities and results **5**
- B.1. Activities 5
- B.2. Pension activity result 7
- B.3. Investment and hedging activity results 8
- B.4. Results of other activities 10
- B.5. Other information 10

C.Management system **11**
- C.1. General information about the management system 11
- C.2. Fit & proper 17
- C.3. Risk management system, including own risk and solvency assessment 17
- C.4. Internal control system 21
- C.5. Internal audit function 21
- C.6. Actuarial function 22
- C.7. Outsourcing 23
- C.8. Other information 24

Risk profile **25**
- D.1. Pension-related risks 25
- D.2. Market Risk 26
- D.3. Counterparty risks 28
- D.4. Liquidity risks 29
- D.5. Operational risks 29
- D.6. Other significant risks 30
- D.7. Other information 30

A. Summary

ATP´s Risk and Financial Condition Report
ATP issues this report in accordance with the Executive Order on reporting and disclosure of information by ATP 'Bekendtgørelse om indberetning og offentliggørelse af oplysninger for ATP'. The requirements for ATP's report reflect the requirements for the Report on Solvency and Financial Condition, which must be issued by pension providers subject to the pan-European Solvency II rules, but with due consideration for ATP's exceptional circumstances. The unique circumstances include the fact that ATP has no equity capital and is not subject to solvency capital requirements. For this reason, the ATP report will differ from the other pension companies' reports in several respects.

This report is a supplement to the ATP Group's annual report. It contains further information about ATP's activities and results, the system of governance and the risk profile in its capacity as a pension provider. The report thus covers the activities related to the management of ATP Livslang Pension (Lifelong Pension), but not ATP's administration on behalf of external parties.

Activities and results
ATP has been part of the basic security of the Danish citizens retirement experience since its establishment in 1964, together with the state-funded old-age pension, state pension, which has had a significant impact on how we design ATP Livslang Pension (Lifelong Pension) and manage our investments. ATP's role was most recently highlighted in the Parliament's consideration of the ATP Act in May 2021, when a broad majority in Parliament confirmed ATP's unique position in the Danish pension system as part of the so-called Pillar 1 - basic security - and allowed ATP to optimise ATP's business model for the benefit of our 5.5 million members. ATP's business model is therefore designed to deliver basic security through lifelong pensions that strive to be real value secured over time.

ATP's result before the allocation of bonus and updating life expectancy amounted to DKK (60.6) bn in 2022 The investment portfolio gave a total return after tax and expenses of DKK (55.8) bn. In particular, the government and mortgage bond portfolio produced a considerable negative return of DKK (60.6) bn. The most significant positive contribution to the return came from investments in inflation-linked instruments, which yielded a return of DKK 11.8 bn.

The lifetime adjustment in 2022 resulted in a transfer from pension liabilities to a bonus potential of DKK 3.8 bn. The transfer reflects an adjustment of life expectancy due to the trend in actual life expectancy over the past year.

In light of the considerable negative investment returns and the continued uncertainty in the financial markets, the ATP Supervisory Board decided that neither a general bonus nor a bonus payment will be paid in 2022. ATP achieved a result for the year of DKK (56.8) bn after the life expectancy update and the increase in pensions. The result is absorbed in ATP's bonus potential, which at the end of 2022 amounted to DKK 102.6 bn.

Fact box A.1 Adjustment of the business model
In 2020, the Supervisory Board approved two adjustments to ATP's business model - it involved an adjustment to the hedging strategy concerning the saved-up funds and an adjustment concerning future contribution payments called 'Life annuity with market exposure (LAWMA)'. On 2021 May 2021, the Danish Parliament adopted the amendments to the ATP Act with a broad majority which allows for the implementation of these changes. Life annuity with market exposure was implemented in early 2022. Effective January 1, 2022, 20 per cent of the contribution for members with more than 15 years to retirement age will go to market-exposed life annuities and be invested in a particular market return portfolio. By investing this part of the portfolio, called the market contribution with a higher risk profile, it is expected that higher returns will be generated over time and thus result in higher pensions. The changes to the hedging strategy are expected to be implemented in 2023. This report deals only with the risk and financial situation in 2022 and therefore does not address the implications of the change to ATP's business model in the coming years.

System of Governance

The ATP Act lays out the objectives and framework for the management of ATP, which includes a Board of Representatives, a Supervisory Board and a CEO (Chief Executive Officer) The Supervisory Board determines the general objectives and strategies for running ATP and lays down associated principles via written policies and guidelines. The CEO handles the Executive Board in accordance with instructions laid down by the Supervisory Board. The CEO is assisted in the Executive Board by the other members of ATP's Group Management body. ATP is of the opinion that the governance system reflects the nature, scale and complexity of the risks associated with ATP's activities.

Risk profile

ATP's risk profile is in line with providing a lifelong guaranteed pension to ensure the real value of the pension over time. This means that safe investments are prioritised to provide the promised lifelong guarantees while also weighing the opportunities to generate reasonable returns against the risk of losing ATP's reserves. The overall principle is, therefore, that the total risk must be appropriate in terms of ATP's reserves and bonus potential. The risk profile for ATP is generally expressed based on a measure of the total risk with an ATP-developed risk model supplemented by several risk calculations and analyses. The purpose of these risk calculations is to provide a varied and detailed overview of the specific risks to which ATP is exposed. ATP's financial robustness is assessed by comparing the calculated risks with the bonus potential.

The overall assessment is that ATP's risk and financial condition are adequate.

B. Activities and results

Figure B.1 ATP's tasks

ATP

ATP Livslang Pension (Life-long Pension)

External schemes

B.1. ACTIVITIES

ATP was set up in 1964 as an independent institution established by statute. ATP carries out activities related to the pension scheme ATP Livslang Pension (Lifelong Pension) and manages several external schemes for the state, municipalities, social partners, and organisations.

ATP's role in the Danish pension system is to deliver basic financial security through guaranteed, lifelong pensions to ATP members as a supplement to the state pension. The pension is paid throughout the members' retirement period and supplemented with a death cover for the member's spouse/common-law partner and children under 21 years of age. The scheme helps to ensure basic security through a minimum pension in Denmark alongside the state pension and is also part of the foundation on which other pensions are built. ATP Livslang Pension (Lifelong Pension) is Denmark's largest supplementary pension scheme.

ATP Livslang Pension (Lifelong Pension) is a mandatory scheme for all employees, wage earners, and the vast majority of transfer income recipients. Moreover, several groups – including disability pensioners – may make voluntary contributions to ATP. ATP has over 5.5 million members, one million of whom are pensioners receiving a lifelong pension from ATP. In recent years, payments from ATP have exceeded contributions.

In 2021, the Danish Parliament adopted the amendments to the ATP Act with a broad majority, allowing for the implementation of these changes. From the beginning of 2022, this led to an adjustment concerning future contribution payments, called market exposure life annuity. It led to a changed hedging strategy starting at the beginning of 2023.

Figure B.2 ATP Group's vision and strategic goals

The ATP Group's visions:

We are here to ensure basic financial security for all of Denmark – simply and efficiently.

We strive to always be a trusted and relevant enterprise for all Danes.

ATP Group's strategic objectives

- Strong customer and stakeholder focus
- Corporate Social Responsibility
- Long-term sustainable business model
- Balanced cost efficiency
- Governance and risk management
- An attractive place to work

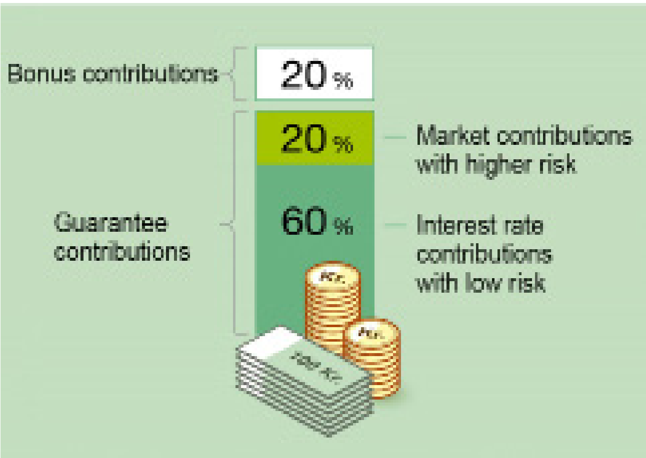
In addition to ATP Livslang Pension (Lifelong Pension), ATP performs administrative services for several external schemes on behalf of labour market organisations, municipalities, and the Danish government. The services consist of collecting contributions, payment of benefits, membership and client administration for a number of the labour market, social security and welfare schemes. ATP performs these tasks on a cost-recovery basis – i.e. without profit to ATP and any expense risk. ATP pays two-thirds of the welfare crowns in Denmark. Payments in the order of DKK 300 bn were made in 2022.

This report only describes ATP in its capacity as a pension provider and, therefore, activities related to the management of ATP Livslang Pension (Lifelong Pension). The report consequently does not cover ATP's administration on behalf of external schemes.

Supervision of ATP

The Danish the Ministry of Employment has the primary legislative authority in ATP's activity area. The Danish Ministry of Employment is also responsible for supervising ATP.

Figure B.3 Business model 2022 for those with more than 15 years to state pension



ATP is also subject to supervision by the Danish Financial Supervisory Authority, which especially focuses on financial, managerial and pension-related matters. The Danish Financial Supervisory Authority submits an annual report on the supervision of ATP to the Ministry of Employment. ATP is informed about the contents of this report.

The supervision is performed through close contact between ATP, the Danish Ministry of Employment and the Danish Financial Supervisory Authority.

ATP's strategy

The Supervisory Board determines the strategy for ATP annually and the focus areas to be prioritised in the following years. The strategy is set collectively for the whole ATP to ensure a sustainable ATP with coherence across the Group.

The strategy for 2023 is built around the six Group strategic objectives shown in Figure B.2 and stems from ATP's overarching vision. Underpinning each strategic objective are initiatives and success criteria to help ensure the strategy is achieved.

The strategy and the results obtained will be reviewed at mid-year and the end of the year.

The Supervisory Board has set a long-term performance target for Investment and Hedging after tax.[1] Seen separately, the target for 2022 was DKK 14.9 bn. The resulting objective for Investment and Hedging has been set at DKK 11.5 bn in isolation for 2023.

ATP Livslang Pension (Lifelong Pension)

ATP Livslang Pension (Lifelong Pension) Pension contributions paid to ATP are divided into guarantee contributions and bonus contributions, which in 2022 constituted 80 per cent and 20 per cent, respectively, of the contribution payments (after social security contributions and payment for cover in the event of death). The guarantee contribution paid is used for pension accrual. The remaining 20 per cent are funds invested in increasing members' pensions with bonuses. The 80 per cent is also guaranteed in terms of the projections for life expectancy. From 2022, 80 per cent will be split into two portions for the members with more than 15 years to go until retirement. 60 per cent is invested with low risk (interest contribution), and 20 per cent (market contribution) is invested with a higher risk to get a higher return. From 15 years to retirement age, ATP gradually reverts to investing 80 per cent of members' contributions at low risk and the remaining 20 per cent to generate returns to increase pensions.

ATP's investments reflect the design of the pension product and are divided into Hedging and Investing, respectively.

The objective of the hedging portfolio is to safeguard ATP's ability, at all times, to deliver on the guarantees issued. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates in line with the guaranteed pension benefits when interest rates change. From 2022, a life annuity with market exposure and return on market contribution invested with higher risk to achieve higher return is also included in hedging.

1 Investment and hedging results are described in greater detail in section B.3.

Figure B.4 Cumulative result 2018-2022

DKK 23.1 bn	DKK (37.5) bn	DKK (14.4) bn
Result before life expectancy update and pension increases	Adjustment for life expectancy update and pension increases	Result

The principal objective of the investment portfolio is to generate a return that will allow, in part, the building of reserves for, e.g., financing increased life expectancy, such as the ATP guarantees pensions for a whole lifetime and increases the guaranteed pensions and therefore aims to secure the real value of lifelong pensions.

The investment portfolio is managed to generate stable returns that are as independent of business cycle developments as possible. Therefore, the investment portfolio is developed based on a risk diversification strategy based on four fundamental factors: Equity factor, Interest rate factor, Inflation factor and Other factors, and liquid and illiquid assets within different asset classes.

ATP, as a pension and investment company

The results of ATP as a pension and investment company are linked to the management of ATP Livslang Pension (Lifelong Pension). They are reported under the three accounting areas Pension, Hedging and Investment.

The result of pension includes the changes in the value of guaranteed pensions resulting from contributions received and pension benefits paid, as well as expenses related to the administration of the pension scheme.

The Hedging result includes the after-tax return on the interest rate hedge portfolio, the change in the value of the guaranteed pensions due to shortening the maturity term and the change in interest rates, the result of the life annuity with market exposure and the difference in the guaranteed pensions due to interest rate curve steepening.

Investment result includes the return on the investment portfolio after tax and investment expenses.

In 2022, ATP had a total result of DKK (60.6) bn before bonus attribution and life expectancy update.

The life expectancy update in 2022 resulted in a transfer of pension liabilities to the bonus potential of DKK 3.8 bn, or 0.7 per cent of the value of the pension liabilities. The transfer reflects an adjustment to ATP's long-term life expectancy forecast to reflect the evolution of actual life expectancy over the past year.

In light of the considerable negative investment returns and the continued uncertainty in the financial markets, the ATP Supervisory Board decided that neither a general bonus nor bonus payment will be paid in 2022.

ATP achieved a result for the year of DKK (56.8) bn after the life expectancy update. The result is absorbed in ATP's bonus potential, which at the end of 2022 was DKK 102.6 bn. ATP's result after the life expectancy update and bonus payout was DKK (14.4) bn for the five years 2018-2022, as shown in Table B.4.

B.2. PENSION ACTIVITY RESULT

Pension activity results before the life expectancy update amounted to DKK 3.5 bn as indicated in Chart B.1 Total pension payout amounted to DKK 18.0 bn in 2022. At year end 2022, 1,030,000 pensioners received ATP Livslang Pension (Lifelong Pension), and approximately 40 per cent of the Danish old-age pensioners have no other pension income other than ATP and the state pension. Total contributions

Chart B.1 Pension activity result

DKKm	**2022**	**2021**
Contributions	11,951	11,497
Pension benefits	(17,957)	(17,260)
Change in guaranteed benefits due to contributions and payment	9,679	8,200
Administration activity expense	(215)	(213)
Other items	10	7
Pension activity results before life expectancy update	**3,467**	**2,231**
Life expectancy update	3,805	4,796
Bonus addition for the year	0	(30,391)
Pension activity results before bonus and life expectancy update	**7,272**	**(23,364)**
Guaranteed pensions	573,832	787,908
Life annuity with market exposure	1,382	-
Pension liabilities, total	**575,214**	**787,908**
Bonus potential	102,593	159,537
Bonus capacity	**17.8**	**20.3**

amounted to DKK 12.0 bn in 2022, slightly higher than in 2021. Pension contributions are broken down into a guaranteed contribution, and a bonus contribution, which in 2022 amounted to 80 per cent and 20 per cent of contributions paid, respectively (after social security contributions and payment for death cover). CF. B3 concerns the ATP business model. From 2022, 20 per cent of the contribution for members with more than 15 years to retirement age will go to life annuity market exposure.

In 2022, administration activity expenses for ATP were DKK 215 million, which is slightly higher than the previous year. Administration activity expenses amounted to 0.03 per cent compared to ATP's aggregate assets value, which is very low in international comparison.

Related to the mid-year results, ATP adjusted its long-term life expectancy forecast. This meant a reduction in the value of pension liabilities of DKK 3.8 bn. Since 2018, ATP has set aside DKK 7 bn for longer life expectancy. At year-end 2022, the value of the pension liabilities was

DKK 573.8 bn, and the bonus potential was DKK 102.6 bn, giving a bonus rate of 17.8 per cent. This is a decrease of 2.5 percentage points relative to year-end 2021 when the bonus rate was 20.3 per cent. Since 2018, the bonus yield has averaged 17.2 per cent.

B.3. HEDGING AND INVESTMENT ACTIVITY RESULTS

The total hedging and investment activity results were DKK (64.1) bn in 2022, compared to DKK 36.9 bn in 2021, as indicated in Table B.2.

Table B.2 Investment and hedging activity results

DKKm	**2022**	**2021**
Hedging activity results	(8,280)	(4,466)
Investment activity results	(55,790)	41,378
Investment and hedging activity results	**(64,071)**	**36,912**

Hedging activity results

Hedging activity results are shown in table B.3.

Chart B.3 Hedging activity results

DKKm	**2022**	**2021**
Adjustment to guaranteed pensions due to changes in accrual rate[1] and shortening of the maturity term	201,741	48,632
Return on hedging portfolio	(244,827)	(56,187)
Tax on pension savings returns	37,459	8,597
Result of hedging of guaranteed pensions[1]	**(5,628)**	**1,042**
Life annuity with market exposure (LAWMA)		
Change in LAWMA due to returns	74	-
Return on market return portfolio	(87)	-
Tax on pension savings returns and expenses	13	-
Result of life annuity with market exposure	**0**	**-**
Change in guaranteed pensions due to yield curve break[2]	(2,652)	(5,508)
Hedging activity results	**(8,280)**	**(4,466)**

[1] Before effect of yield curve break
[2] 'Yield curve break' is the point on the yield curve at 40 years where the guaranteed benefits shift from being discounted by a fixed rate to being discounted by a market rate.

ATP's pension product is a lifelong guaranteed product, and hedging is intended to ensure that ATP is always capable of meeting its guarantees. Hedging is planned to ensure that the market value of the interest hedging portfolio after-tax fluctuates in line with the guaranteed pension benefits when interest rates change. The value of the guaranteed pension benefits in 2022 decreased by DKK 201.7 bn, mainly due to notably increased interest rates. Correspondingly, the interest hedging portfolio generated negative returns (after tax) of DKK 207.4 bn. The value of the interest hedging portfolio thus fell as the value of the pension guarantees fell, and the hedging worked as intended. Hedging generated total returns of DKK (8.3) bn, equivalent to 1.4 per cent of the value of the guaranteed pension benefits. The negative result is among other things due to the fact that the hedging of the guaranteed benefits cannot be completely precise, which in 2022 has been further impacted by the rising interest rates and the uncertainties - especially about the long-term interest rates. In addition, part of the loss is due to the break in the yield curve around the 40-year point, cf. fact box B.1, as the market interest rate has been below 3 per cent. The break in the yield curve at 40 years means that the guarantees move during the year from being valued at a fixed interest rate of 3 per cent. Applying hedging to a market interest rate will incur a loss or a gain, depending on whether the market interest rate is below or above 3 per cent. In 2022, the market-based part of the yield curve was below 3 per cent.

From 2022, 20 per cent of the contribution for members with more than 15 years until retirement age will go to the market exposure life annuity and be invested in a special market return portfolio. The aim is to achieve higher long-term returns for this part of the contributions and, thereby, a higher overall pension when retirement age is reached. In 2022, the portfolio generated negative returns of DKK 0.1 bn due to the general market developments. At the end of the year, provisions for life annuity with market exposure amounted to DKK 1.4 bn.

Investment activity results

In 2022, the investment portfolio generated a considerable negative return before expenses and taxes of DKK (64.4) bn. After expenses and taxes, the result was DKK (55.8) bn. Investment performance is shown in Table B.4, and the composition of investment returns is shown in Figure B.5.

Table B.4 Result of Investment

DKKm	2022	2021
Investment return	(64,364)	49,888
Expenses	(823)	(952)
Tax on pension savings returns and income tax	9,396	(7,559)
Investment activity results	**(55,790)**	**41,378**

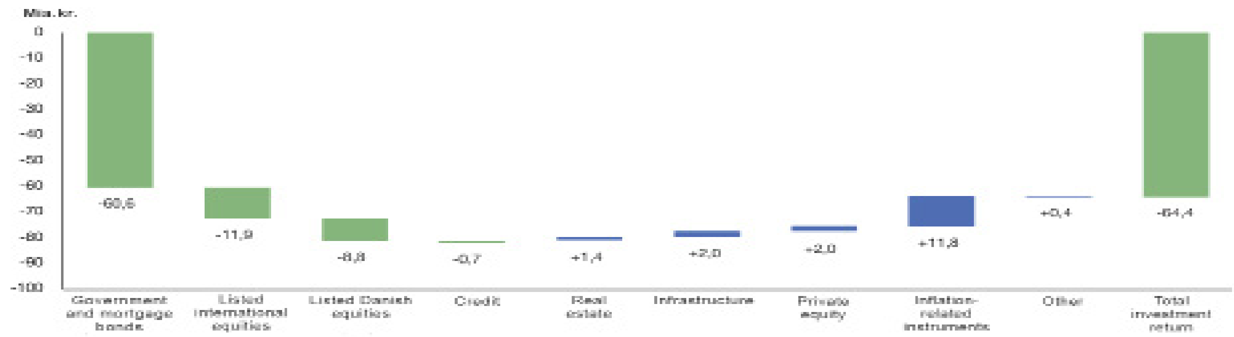
The return on the investment portfolio was affected by the considerable uncertainty in the financial markets during the year, with interest rate rises, falling equity prices and high inflation dominating developments. In a diversified portfolio based on risk diversification, some investment types are expected to perform better than others. In 2022, investments in inflation-linked instruments made the most significant positive contribution to returns of DKK 11.8 bn, driven by higher inflation expectations and rising commodity prices. Investments in government and mortgage bonds made the most significant negative contribution to returns at DKK (60.6) bn, mainly due to negative returns on holdings of US and European bonds due to rising interest rates.

Market risks necessary to generate returns are managed in the investment portfolio based on a risk budget and risk diversification framework. The investment portfolio follows a risk-based investment approach, the focus of which is on risk rather than on the amount of DKK invested. This means, for example, that for the same risk, a larger post of bonds can be purchased than equities which are traditionally risker assets. As a general rule, the investment portfolio consists of funds from the bonus potential. Funds not tied up in the interest-hedging portfolio as a result of the use of financial derivatives is available for investment in the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with more funds than the bonus potential. The market value of the investment portfolio at the end of 2022 was DKK 310.5 bn. According to the "Decree on Reporting and Publication of Information for labour market supplementary Pensions",

Fact box B.1 ATP's interest rate curve for valuing the guaranteed pensions

ATP's yield curve for the valuation of the guaranteed pension benefits in 2022 consisted in part of a market-based segment and in part of a fixed interest segment. The market-based segment is characterised by it having an interest rate risk that can be hedged. The fixed rate segment for the valuation of guarantees 40 years or more into the future reflected the expected long-term returns. Guarantees between 0 and 40 years were valued on the basis of a market yield curve consisting of yields on Danish and German government bonds and interest rate swaps denominated in Danish kroner and euros. The interest rate after 30 years is kept at the level for 30-year market rates. After 40 years, the interest was fixed at 3 per cent. Thus, in 2022 there was a break in the yield curve's 40-year point where the curve shifts from the market interest level to a fix interest of 3 per cent.

Chart B.5 Composition of investment return for 2022



ATP must disclose any investments in securitisation[2]. ATP has no direct investments in securitisation but has small indirect positions through ATP's fund investments. Further details on ATP's loan portfolio are provided in section D.2. As ATP's investments are generally currency hedged into Danish kroner and euro, currency fluctuations have only a limited effect on returns. ATP's liquidity management is detailed in Fact Sheet B.2.

B.4. RESULTS OF OTHER ACTIVITIES

ATP is not engaged in other activities in its capacity of pension provider.

B.5. ADDITIONAL INFORMATION

In September 2022, the Financial Supervisory Authority issued a warning that during the period April to July 2020, during the Covid-19 crisis, ATP did not have methods and processes in place to ensure current fair value valuation based on relevant market data concerning private equity, illiquid credit and infrastructure investment funds and internally managed retail properties. ATP has taken note of the observation. It is ATP's assessment that the processes and methodologies currently used for the valuation of illiquid assets, including investment funds in private equity, illiquid credit, infrastructure and internally managed retail properties, are adequate to ensure current fair value valuation based on relevant market data and taking into account the factual circumstances of individual investments.

Box B.2 ATP liquidity management

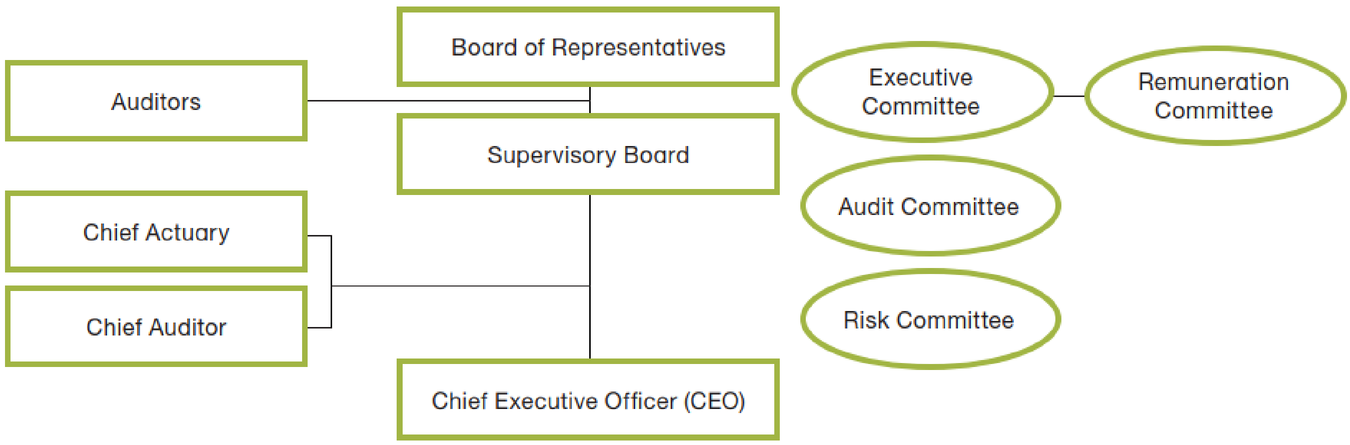
ATP's liquidity management is organised according to ATP's business model. It reflects that about half of the interest rate risk linked to ATP's guaranteed benefits is hedged by swaps that do not entail a liquidity risk. There is, therefore, excess liquidity available for the investment portfolio. However, the excess liquidity is not fully used by the investment portfolio. The remaining excess liquidity is primarily invested in short-term bonds with low-interest rate risk. The return on these investments is included in the hedging portfolio, etc. The investments are made considering that ATP must always have sufficient liquidity to meet future payment obligations. The development of ATP's liquidity depends primarily on the following factors:

- ATP pays pensions and receives contributions from members.
- ATP incurs expenses and pays taxes.
- ATP trades current investment assets and receives related cash flows.
- ATP and its counterparties provide current collateral for changes in the value of, for example, interest rate swap contracts.

2. Securitisation means a transaction or scheme where the credit risk of exposure or pool of exposures is divided into tranches which are characterised by:
1. The payments under the transaction or schemes depend on the performance of the exposure or pool of exposures.
2. The ranking of tranches determines the distribution of losses over the life of the transaction or scheme.
3. The transaction or scheme does not create exposures with all the characteristics listed in Article 147(8) of Regulation (EU) No 575/2013.

C. System of Governance

Figure C.1 Board of Representatives and the Supervisory Board



C.1. SYSTEM OF GOVERNANCE GENERAL INFORMATION

Board of Representatives and the Supervisory Board
ATP is managed by a Board of Representatives, a Supervisory Board and a Chief Executive Officer (CEO). ATP's corporate governance framework is set out in the Danish ATP Act. The organisation of ATP's senior management is illustrated in Chart C.1.

The constitution of ATP's Board of Representatives and Supervisory Board reflects the Danish labour market agreement model. The Board of Representatives comprises 15 employer representatives, 15 employee representatives and a Chairman appointed by the Board of Representatives. The Chairman may not be affiliated with any salaried employee or employers' organisation. The Supervisory Board is composed of members of the Board of Representatives and comprises six employer representatives, six employee representatives and the Chairman of the Board of Representatives.

The members of the Board of Representatives and the supervisory board, apart from the Chairman, cf. above, are appointed by the Minister for Employment upon the recommendation of labour and management of the social partners. They are appointed for a three-year term with the possibility of reappointment. There is no age limit requirement to be appointed. Both the nominations and the appointment must take into account that the Board of Representatives and the Supervisory Board should have a balanced composition of men and women.

Further information about the members of the Board of Representatives and the Supervisory Board is found in ATP's annual report and on ATP's website, www.atp.dk.

The Board of Representatives ordinarily convenes once a year. The Board of Representatives' work includes approval of the ATP contributions, ATP's annual report and pay policy, as well as determination of the remuneration for the members of the Board of Representatives and the Supervisory Board. The Board of Representatives also appoints ATP's Chairman and auditor.

The Supervisory Board ordinarily convenes seven times a year and has the overall responsibility for ATP. The Supervisory Board decides the overall objectives and strategies for the management of ATP and lays down the accompanying principles through written policies and guidelines. The Supervisory Board additionally manages several tasks particularly relevant to ATP in its role as a pension and investment company. In this connection, the Supervisory Board determines ATP's desired risk profile, including the frameworks for ATP's investments, and it also identifies, quantifies and assesses the main risks ATP faces. The Supervisory Board also approves the basis for pensions and provisions, which includes the basis for calculating and valuing ATP's pensions.

Figure C.2 ATP's management and associated committee

Procedures govern the duties of the Board of Representatives and the Supervisory Board, and ATP's Supervisory Board has appointed four Supervisory Board committees in the form of an Executive Committee, a Remuneration Committee, an Audit Committee and a Risk Committee.

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

The Executive Committee prepares the Supervisory Board's decisions and has the power, in selected areas, to make decisions as authorised by the Supervisory Board.

The Supervisory Board has decided to let the Executive Committee perform the duties of ATP's Remuneration Committee. The duties are integrated with the agendas of the Executive Committee on a current basis and comply with the processes applicable to the Executive Committee. The primary duties of the Remuneration Committee are to prepare submissions to the Supervisory Board's later decisions concerning remuneration, including pay policy and guidelines for incentive programmes, as the Remuneration Committee, after delegation from the Supervisory Board, determines the salary of the Group Management, except for the CEO.

The Audit Committee comprises four members in the form of the Chairman of the Supervisory Board, two other members of the Executive Committee and a member of the Supervisory Board with accounting or audit experience who also serves as Chairman of the Committee. The Audit Committee convenes ordinarily four times a year. The Audit Committee ensures that ATP's financial reporting process, internal control system, internal audit and risk management systems are effective. The statutory auditing of annual reports and the auditor's independence are also checked, particularly concerning providing other services to ATP.

The Risk Committee consists of four members of the Supervisory Board with operational experience and expertise in relevant specialist fields, including the chairman of the Supervisory Board, who is also the chairman of the Risk Committee. The Committee contributes to ensuring the best possible basis for the Supervisory Board's risk and solvency assessment of ATP (ORSA). As part of this, the Committee discusses risk identification, risk profile, quantification, governance and organisation, and risk and solvency assessment before Supervisory Board meetings. The Risk Committee convenes a minimum of four times a year.

The Supervisory Board has appointed the CEO to handle the day-to-day management of ATP. The Supervisory Board has also appointed a Chief Actuary, who is responsible for insurance-related technical tasks. The Supervisory Board has laid down the Chief Actuary's tasks in a function description. The Supervisory Board has also decided that ATP must have an internal audit function, which will perform audit tasks in ATP in collaboration with the external auditors. The Chief Auditor reports to the Supervisory Board.

Chief Executive Officer (CEO) and other senior executives

The CEO handles the day-to-day management in accordance with instructions laid down by the Supervisory Board. The CEO is assisted in the day-to-day management

Figure C.3 The Group Management Team

Chief Executive Officer	Chief Financial Officer	Chief Investment Officer	Executive Vice President for Pensions, Risk management and Compliance Chief Risk Officer
Martin Præstegaard (pr. 1. juli 2022) Responsible for the day-to-day management of ATP in accordance with the instructions issued by the Supervisory Board and the other statutory tasks incumbent on the CEO. Also responsible for Group Management, Group Secretariate, HR, Communication and CEO-office.	**Martin Præstegaard** Pernille Vastrup (due to commence the position by 1 April 2023). Responsible for Corporate Functions, including Group Legal, Accounting and Finance, Group Procurement and Project Risk and Business Support within Pensions & Investments.	**Mikkel Svenstrup** Responsible for investment management and for monitoring that investments are made in accordance with the strategy and guidelines laid down by the Supervisory Board, including corporate social responsibility.	**Kim Kehlet Johansen** Responsible for risk management of pension, investment and operational risks, including information security and compliance. Also responsible for the pension product, ATP Livslang Pension, and Arbejdsmarkedets Erhvervssygsomskontrol (AESK).

Executive Vice President for Pension and Social security	Executive Vice President for Udbetaling Danmark	Executive Vice President of IT and Technology Chief Information and Technology Officer
Anne Kristine Axelsson Responsible for membership administration connected with ATP Livslang Pension, including payments and collection of contributions as well as administration of AES and several other schemes on behalf of external parties.	**Kristine Stenhuus** (commenced on 15 November 2022) Responsible for ATP's administration of Udbetaling Danmark og Seniorpension.	**Haktan Bulut** (commenced on 1. October 2022) Responsible for the technology and digital areas across ATP, including Group IT and Data & Analytics.

by the other members of ATP's Group Management body. Chart C.3 shows the members of the Group Management and describes their respective areas of responsibility. The CEO delegates areas of responsibility to the other members of the Group Management in accordance with special instructions.

Through strategic choices and concrete management decisions with the Group Management, the CEO ensures that ATP is run and developed in all essential areas according to appropriate administrative, budgetary and accounting procedures and in accordance with effective forms of corporate governance. The members of the Executive Committee shall ensure on an ongoing basis that the necessary financial and human resources are available to fulfil the tasks of their respective areas.

In addition to the Group Management, the CEO has set up management bodies in ATP, as stated in Chart C.2. The CEO participates in the management bodies, ensuring efficient and transparent decision-making processes.

- **The Risk Committee** is the decision-making body for fundamental risk management issues. The Committee is also responsible for ensuring the managerial handling of major and thematic risk management, governance and compliance. In addition, the Committee is responsible for monitoring ATP's most material risks associated with ATP's Pension and Investment activities.
- **The Committee for Responsibility** is the decision-making body for and coordinator of ATP's social responsibility in connection with investments

including stewardship, climate and coordination of voting on equities.

- **The Investment Committee** is the decision-making body ensuring managerial handling of major strategic investment topics and is responsible for briefing on ATP's investment conditions.
- **The Operational Committee** discusses and make decisions on strategic issues in Pensions & Investment (P&I) concerning operational conditions. This includes ATP's tax policy, P&I's technical platform, essential operational risks and relevant development tasks in P&I.
- **The Valuation Committee** was established in 2022, and it discusses methods for valuing illiquid investments and approves their valuations. The Committee consists of the Chief Financial Officer as chair, the Chief Risk Officer and the heads of relevant investment, risk management and business support teams.

Forums have also been established in several more specific areas where decision-making powers are more focused on particular issues related to the current operation of ATP.

ATP uses management reporting to provide close and regular follow-up of management decisions and frameworks. Reporting to Group Management is aligned with the established forums and covers the main areas of activity. The reporting to the Supervisory Board follows an annual schedule, which determines when the Supervisory Board addresses the issues. The Supervisory Board also receives monthly reports on ATP's risks and financial position.

ATP's accounting practices ensure that financial reports are prepared in accordance with applicable rules and are supported by comprehensive procedures for accounting, time recording, internal transactions, financial reporting, etc.

Key persons in ATP

Key persons in ATP, aside from the CEO, are persons responsible for the statutory key functions, i.e. the risk management function, the compliance function, the internal audit function and the actuarial function, as well as the members of the Group Management. ATP determined that no additional key functions were needed in 2022. At year-end 2022, ATP had a total of eight key persons, as the CRO is both a member of the Group Management and has been appointed as the officer responsible for the statutory risk management function.

The Chief Executive Officer has appointed the key persons responsible for the Risk Management and Compliance functions. In contrast, the Supervisory Board has appointed the key persons responsible for the internal audit and the actuarial functions, as these are handled by the Internal Chief Auditor and the Chief Actuary, who already reports to the Supervisory Board.

Job descriptions have been determined for each of the key functions, which assign, distinguish and coordinate the tasks and responsibilities of the key functions. The job descriptions thus help to ensure effective cooperation. The risk function reports annually to the CEO on the risk management of ATP. The report is shared with the Supervisory Board, while those responsible for the other key functions submit the annual report directly to the Supervisory Board The key function managers are all authorised and required to communicate and report directly to the Supervisory Board as they consider necessary. Combined with the requirement that the Supervisory Board can only dismiss key function holders, this helps to ensure the independence of key function holders. Chart C.4 shows the at year-end 2022 key persons responsible for the four key functions and the associated areas of responsibility. The four key functions are detailed in sections C.3 to C.6.

Changes to the system of governance in 2022

ATP's CEO Bo Foged resigned as CEO on 30 June 2022. Supervisory Board appointed Martin Præstegaard, former Deputy CEO and CFO, as the new CEO on 1 July 2022. Martin Præstegaard will continue to serve as CFO until Pernille Vastrup can take up her position by 1 April 2023. In conjunction with the CEO change, an organisational change was made, creating a new Group Director of IT and Technology position. Haktan Bulut took up this position on 1 October 2022. In connection with the organisational change, Carsten Bodal resigned as Group Director of service credit on 30 August 2022. Kristine Stenhuus took up this position on 15 November 2022. The organisational changes included the roles of Operation Officer and Chief Operation Officer

Figure C.4 Responsible for the four statutory key functions

Risk Management function Responsible key person: Kim Kehlet Johansen, Chief Risk Officer **Responsibility:** to monitor and ensure that ATP's risk profile is aligned with the Supervisory Board's desired risk profile and that the risk management system operates satisfactorily and appropriately.	**Compliance function** Key person responsible: Carsten Storr-Hansen, Director, Compliance Officer (commenced on 1 November 2022) **Responsibility:** Review and monitor whether ATP has effective processes in place to detect and mitigate the risk of non-compliance with applicable laws, market standards and internal regulations.
Internal Audit function Key person responsible: Per Graabæk Ventzel, Chief Auditor (commenced on 1 May 2022) Responsibilities: to carry out audits in accordance with the established audit plan and review the internal control system.	**Actuarial function** Responsible key person: Camilla Fredsgaard Larsen, Lead Actuary Responsibility: Calculating pension provisions and making sure that the underlying assumptions and methods applied are correct.

in the Processing Business coming to an end. As a result, at the end of 2022, the Group Management team consists of 6 people, 5 of whom are considered key persons for ATP. The composition of the Executive Committee at the end of 2022 is shown in Figure C.3.

Of the people responsible for key functions, Christoffer Max Jensen resigned as Head of Audit on 31 March 2022. Per Graabæk Ventzel joined as the new Head of Audit on 1 May 2022. Morten Stein Salmark resigned as Head of Compliance on 31 October 2022. The CEO has appointed Director, Compliance Officer Carsten Storr-Hansen as an interim key person for the compliance function in ATP as of 1 November 2022.

ATP's Remuneration Policy

In accordance with the Executive Order on Remuneration for ATP and other organisations, ATP is subject to several rules for its remuneration policy, remuneration and disclosure requirements, including frameworks for the awarding and payment of variable remuneration, in the same way as the rest of the financial services industry. The Remuneration Policy is determined with due consideration for the promotion of sound and efficient risk management, securing a long-term commonality of interest for the individual employee and ATP's members, and supporting ATP's ability to manage its liabilities. Remuneration and fees are fixed based on the market level, both nationally and internationally, taking into account the complexity of ATP's activities, relevant business experience and organisational responsibilities, among other factors. Furthermore, remuneration and fees are defined on the basis of ATP's specific needs, including the need to ensure ATP's ongoing ability to attract and retain the best qualified managers and employees.

When ATP uses remuneration pay, it is used as an active tool that supports commercial development by focusing on target and performance-related management and promotes behaviour that creates value including the application of sound and effective risk management that does not encourage excessive risk-taking, among others with regard to sustainability risks.

Meanwhile, variable pay must encourage sustained and extraordinary results within the framework of the applicable remuneration rules. Members of the Board of Representatives, the Supervisory Board and, if relevant, the Supervisory Board committees, are paid a fixed annual fee, which reflects the number of board and committee meetings. They are not covered by any variable remuneration agreements, incentive schemes, pension agreements or severance pay agreements. The CEO, the other members of the Group Management, the Chief Actuary and the Chief Auditor are paid a fixed remuneration and also receive certain employee benefits as well as any one-time remuneration. A pension contribution is paid as part of the fixed remuneration. Other forms of variable pay

Table C.1 Remuneration for the Board of Representatives and Supervisory Board

	Remuneration in 2022
Member of the Board of Representatives	DKK 15 thousand
Member of the Supervisory Board (incl. honorarium for the Board of Representatives)	DKK 138 thousand
- supplement for members of the Executive Committee	DKK 92 thousand
- supplement for members of the Audit Committee	DKK 69 thousand
- supplement for the chairman of the Audit Committee	DKK 90 thousand
- supplement for members of the Risk Committee	DKK 69 thousand
Total remuneration of the Chairman of the Board	DKK 917 thousand

Table C.2 Remuneration of members of the Group management team

	Total remuneration in 2022
Martin Præstegaard	DKK 5.8 million
Mikkel Svenstrup	DKK 4.5 million
Kim Kehlet Johansen	DKK 4.3 million
Anne Kristine Axelsson	DKK 2.8 million
Haktan Bulut (joined 1, October 2022)	DKK 0.7 million
Kristine Stenhuus (joined 15 November 2022)	DKK 0.4 million
Bo Foged (resigned 30 June 2022)	DKK 4.7 million
Carsten Bodal (resigned 31 August 2022)	DKK 5.9 million

are not included. Remuneration is shown in Tables C.1 and C.2. A comparison with the level in the previous reporting period appears in ATP's annual report. Employees in ATP's Pension and Investment department, including portfolio managers, are covered by a remuneration package which – in addition to containing the above remuneration elements – may also include variable remuneration elements. Incentive schemes for portfolio managers are as a minimum based on the following three components:

- ATP's Investment- and Hedging activity results
- The results in the individual portfolio manager's department in the form of, for example, returns, investment processes etc. or combinations thereof
- The individual's own results in the form of, for example, the individual's contribution to returns, investment processes, teamwork etc. or combinations of these.

When determining and calculating variable pay, considerations should be made about whether the relevant employee has participated in promoting non-excessive risk-taking in terms of sustainability risks by integrating sustainability risks in ATP's investment decisions in accordance with applicable legislation and the ATP Group's Policy for Responsible Investments. This means that employees comply with and contribute to supporting the processes determined at any time in the investment process.

ATP's CEO and Chief Investment Officer determine which portfolio managers are covered by inventive schemes, the minimum investment results that ATP must achieve before the bonus accrues, the weighting of the three components, and the criteria used to assess the components.

It is stated in ATP's pay policy that when it comes to significant risk takers, the variable part of the salary package cannot exceed 100 per cent of the base salary (50 per cent for the CEO), including pension contributions, per year.and they are paid out over three years (at least four years for the CEO). In certain cases, variable remuneration elements can be withheld, or a demand can be made that they be repaid. In other incentive programmes, a ceiling must be specified for the individual variable pay packages in individual years.

In 2022, a total of 31 portfolio managers received variable remuneration elements accrued in the calendar year in the form of the above incentive schemes. Other employees can be assigned a lump sum award for exceptional performance, but not exceeding the equivalent of 4months salary including pension contributions.

Remuneration for the Board of Representatives, Supervisory Board and other senior staff.

The applicable remuneration for the Board of Representatives and Supervisory Board is shown in table C.1, while remuneration for members of the Group Management is shown in table C.2.

C.2. FIT & PROPER

The fit & proper requirements in the Danish ATP Act apply to members of the Supervisory Board, the CEO and designated key persons. The persons in question must be subjected to a fit & proper assessment by the Danish Financial Supervisory Authority on commencement of their employment and in connection with any subsequent change in their duties. A person who is covered by the fit & proper requirements must at any given time:

- have sufficient experience to be able to perform the duties pertaining to their position
- have a sufficiently good reputation, be honest and show integrity

ATP's fit & proper policy covers the fit & proper requirements, identification of persons who are covered by the fit & proper requirements, the knowledge and experience requirements for the whole Supervisory Board, the procedure for obtaining the Financial Supervisory Authority's fit & proper assessment and, finally, the fitness-assessment for other employees.

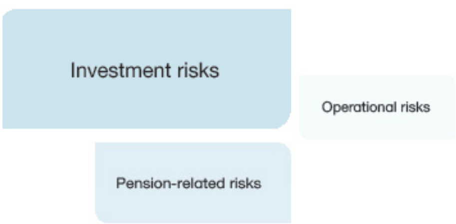
When submitting the information to the Danish Financial Supervisory Authority for the designated key persons, ATP submits a declaration with a reasoned statement confirming that the persons are fit & proper to hold the positions in question. It is assessed whether the key person has sufficient experience, skills, knowledge and expertise. Emphasis is on the person having the relevant education and training in relation to the nature, scope and complexity of the risks associated with ATP and with regard to the statutory requirements for the education and training of the person in question. In addition, emphasis is on the person having experience from previous relevant employment and to some degree management experience and training.

The Supervisory Board assesses on an ongoing basis whether its members collectively possess the necessary knowledge and experience of ATP's risks to ensure sound operations of ATP's activities. Based on the Supervisory Board's annual self-assessment, an evaluation is made of the need for relevant competence development for the Supervisory Board. The Supervisory Board is broadly composed in terms of the education and training of its members, who have completed either short, medium or long-cycle study programmes, for several of them supplemented with continuing education and training in both Denmark and abroad. The composition means that the members bring diverse and nuanced skills and qualifications to their work on the Supervisory Board. Many of the Supervisory Board's members have experience from large organisations and board work in general. The Supervisory Board members also have skills and management experience from financial business, particularly within pension, insurance, mortgage and banking.

C.3. RISK MANAGEMENT SYSTEM, INCLUDING OWN RISK AND SOLVENCY ASSESSMENT

In ATP, the risk management system is interpreted broadly. The risk management system comprises all strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report the risks to which ATP is exposed. The risk management system and the internal control system, as well as control environment and control activities, form the framework for the overall management of ATP. There is a close connection between the risk management system and the control system, as controls provide attention to the risks that are to be managed. Controls can thus be regarded as risk reducing measures.

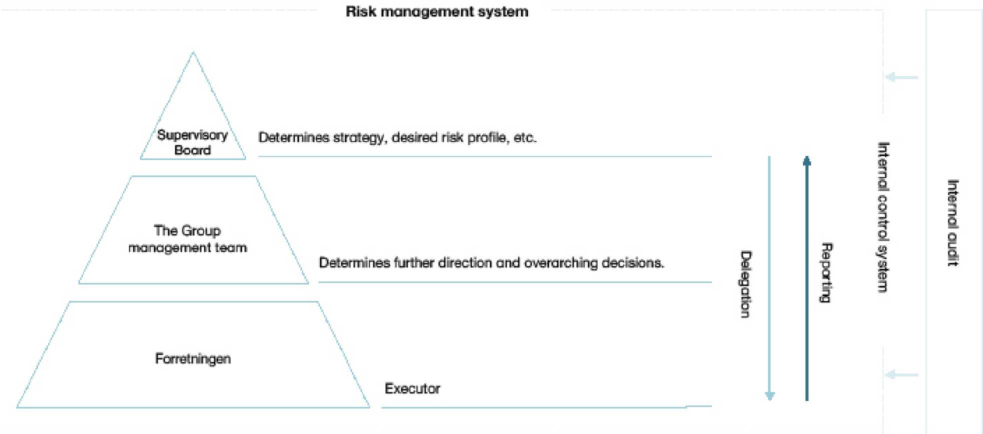
Figure C.5 Significant risks in ATP



The Supervisory Board has established a policy for internal control to ensure a satisfactory internal control system and regulate the general principles for the design of the internal control system in ATP, including the organisation of the internal control system in three levels.

The Supervisory Board is responsible for risk management in ATP and lays down the general principles in a policy. The policy establishes the desired risk profile through guidelines and risk tolerance limits on which ATP's risk management must be based. The policy also identifies material risks, and principles are defined for how the risks must be reported. A corresponding delegation with related reporting is

Figure C.6 Risk Management System



carried out within the individual business areas. Figure C.6 illustrates the overall relationships. The Supervisory Board has set the preferred risk profile for ATP and the framework for risks through the Risk Policy for ATP and related guidelines. The policy provides the overarching direction, framework and guidelines for ATP to follow in managing risk. At the same time, the related authority and duties of the CEO are defined through the Supervisory Board's guidelines to the CEO of ATP. The CRO is responsible for the risk management function, which monitors and ensures that the risk management system is sound and adequate compliance with the Supervisory Board's guidelines concerning risks, are complied with. The Chief Risk Officer is responsible for ensuring that identifying, measuring, monitoring, managing and reporting ATP's investment, pension and operational risks is performed responsibly and appropriately. Several units share the responsibilities of the Risk Management function in the Pensions & Investments Business, the cross-functional Operational Risk Management and Compliance unit and the Information Security department. The function is represented in several meeting forums, including monitoring the risk management system and risk profile, identifying and assessing emerging risks and ensuring accurate, detailed reporting.

The preferred risk profile for ATP set by the Supervisory Board reflects the ATP's priorities of high pension security and the investment of pension funds to secure the guaranteed lifetime payment and the real value of the lifelong pensions. To this end, the Supervisory Board has established a risk framework to protect ATP's bonus potential and financial flexibility.

ATP's total risk includes three risk categories, investment, pension and operational risks. They are all considered significant, and the Supervisory Board has set out detailed guidelines for them as part of the determination of the desired risk profile:

- **Investment risks**
  Investment risks consist primarily of market risks and associated counterparty, concentration and liquidity risks. Market risk exposures with the purpose of generating a return, are managed in the investment portfolio based on a given risk budget and risk diversification limits. Market risks associated with the guaranteed benefits are managed in the hedging portfolio to ensure that the interest rate risk associated with the guaranteed benefits is hedged. The other investment risks follow as a consequence of the market risk exposures ATP has chosen. For this reason, consequential risks are accepted, but ATP seeks to limit them as much as possible. Consequential risks are described in further detail in fact box C.1.

  ATP works to integrate responsibility and ESG information into its investments. Further information about ATP's work to ensure social responsibility in the investments is available on ATP's website www.atp.dk.

- **Pension-related risks**
  Pension-related risks follow directly from the structure of ATP's pension product, including the lifelong guarantees given. ATP has material risk exposure against life expectancy, as the measure determination of the value of the guaranteed benefits is closely linked to the members' life expectancy. Increased life expectancy means that ATP must make larger provisions to cover the guaranteed benefits, as pension payments must be made for longer periods.

Fact box C.1 Investment consequential risks

Counterparty risks
Counterparty risks are risks associated with financial counterparties' potential breach of agreements entered into in connection with contracts on derivatives, repo reverse transactions and bank deposits.

Concentration risks
Risks stemming from an overreliance on a particular type of exposure, such as specific asset classes, investment markets or individual investments.

Liquidity risks
Liquidity risks are risks associated with any incomplete honouring of claims for payment or provision of collateral.

ATP has chosen not to hedge its life expectancy risk and must therefore itself cover any losses in the event of increased life expectancies. ATP follows life expectancy statistics closely, based on an in-house developed life expectancy model.

- **Operational risks**
  Operational risks are associated with the risk of financial, reputational and compliance-related (incl. GDPR) impacts resulting from inexpedient or insufficient internal procedures, human errors, system errors, errors related to the use of models or from ATP's cooperation with external business partners and suppliers. The risks can also be due to external events, such as effects associated with the entry into force of new regulation, lack of compliance with current legislation, market standards or internal rules as well as cyber security breaches or security breaches. Assessments of risks related to the processing of personal data also includes the consequence from the perspective of the registered person. ATP recognises that operational risks cannot be avoided entirely but wishes to limit the risks subject to consideration for a weighting of consequence and probability against the expense of limiting the risk. The Supervisory Board has decided that compliance risk must be avoided as far as possible.

The CRO is responsible for the statutory risk management function, which monitors and ensures that the risk management system is sound, adequate, and in compliance with the Supervisory Board's guidelines concerning risk. In addition, the CRO submits proposals for ATP's risk policy as part of the Supervisory Board's determination of ATP's desired risk profile.

The Supervisory Board has at its disposal a number of reports which form the basis for the monitoring of the risk profile, among other supervisory activities. The Supervisory Board receives a monthly report on significant matters related to ATP's risks and financial condition. In the report, information is also provided about the utilisation of the limits laid down by the Supervisory Board. The Supervisory Board also receives an annual report on pension-related risks, including the life expectancy of ATP's members. In addition, the Supervisory Board receives an annual report on operational risks and an annual report on information security.

The CEO receives reports on ATP's risks daily on an internal portal, monthly via the Investment and Risk Report and on an ongoing basis as appropriate. The CEO receives a report on ATP's risks at Risk Committee meetings which are held approximately seven times per year. The CEO and the group management also receives quarterly reporting about ATP Group's operational risks. Furthermore, the CEO receives a bimonthly briefing on responsibility and stewardship in connection with investments from the committee for Responsibility and a monthly report on information security. Finally, the CEO receives an annual report on ATP's risk management, which is also sent to the ATP Supervisory Board.

Managers and employees of ATP's Pensions and Investments (pensions and investments area of ATP excluding subsidiaries) have access to overarching and detailed information on ATP's risks and financial position via the internal portal, which is updated and checked daily. The information is revised and adjusted on an ongoing basis to ensure that it covers all relevant conditions over time.

Risks that manifest particularly in the long term
ATP is exposed to risks that manifest particularly in the long term in relation to the maturity of ATP's guaranteed benefits. These risks are particularly associated with the preconditions used in of the measure of the guaranteed benefits. Here the preconditions about life expectancy and discount curve are central.

If the assumed lifetimes used to measure the guaranteed benefits are shorter than the life expectancy ATP's members have. In that case, ATP will experience losses over time due to members having to be paid pensions for longer. ATP closely monitors life expectancy trends to ensure that the assumed life expectancies reflect members' life expectancies. In this way, ATP reduces the risk of a large discrepancy between the assumed life expectancy used to measure the guaranteed benefits and member's life expectancy.

ATP's risk and solvency assessment
ATP's Supervisory Board performs an annual own risk and solvency assessment (ORSA).

Figure C.7 ORSA-wheel

ATP has no equity capital and is not subject to a solvency capital requirement. The assessment of ATP's risk and solvency situation is based on a measure of the total risk using an ATP-developed risk model, which calculates a total risk consumption based on the risks associated with ATP's business model. The measure is complemented by other relevant risk calculations and analyses designed to provide a detailed and nuanced understanding of the specific risks to which ATP is exposed. ATP's solvency is assessed by comparing the calculated risks with ATP's reserves (bonus potential), as described in Section D. The ORSA is based on the Supervisory Board's ORSA wheel, see Figure C.7, which contains the components considered central to an assessment of ATP's risk and solvency position.

The ORSA wheel is centred around the 'Organisation' component, which describes how ATP has organised and structured its risk management system. The 'Organisation' is laid down in function descriptions. The 'Strategy' component contains the Supervisory Board's established strategy and the overall objectives for ATP. The following three components, 'Risk identification', 'Risk appetite' and 'Risk measurement', concern identifying the most significant risks, establishing the desired overall risk profile and risk calculation principles. These aspects are determined through the Supervisory Board's risk policy. The 'Risk assessment' component concerns the assessment of ATP's short-term and long-term condition and is performed based on the preceding components. The risk assessment constitutes a significant part of the Supervisory Board's own risk and solvency assessment and is performed based on a number of risk calculations and analyses. They identify the ways in which various stresses affect ATP's solvency, both in the short and longer term, as well as the risks associated with measuring the value of guaranteed benefits and their impact on ATP's solvency. Under 'Risk assessment', the Supervisory Board also reviews whether the way in which ATP has organised its activities supports an efficient risk management system.

The Risk Committee set up by the Supervisory Board has special tasks in relation to the ORSA wheel. The Risk Committee was established to support the Supervisory Board's ORSA wheel, and thus the task of performing an overall risk and solvency assessment. The Risk Committee supports the Supervisory Board's ORSA wheel which could usefully be addressed in more detail. In this context, the Committee prepares risk policy and investment frameworks, information security policy and reports on ATP's risk management, its own risk and solvency assessment (ORSA), information security and operational risks, respectively, for consideration by the Supervisory Board.

The ORSA report contains the overall conclusion on the ORSA work, i.e. the assessment of ATP's risk and solvency as well as an assessment of the way in which ATP has organised its activities.

The risk management function is responsible for providing the complete overview of ATP's risk and solvency, including the actual preparation of the ORSA report. The ORSA report is prepared in dialogue with the Risk Committee, where one of the special focus areas is the design of the risk analyses on which the own risk and solvency assessment is based. The ORSA report is discussed and subsequently approved by the Supervisory Board.

C.4. INTERNAL CONTROL SYSTEM

The Supervisory Board has established a policy for internal control in ATP aimed at ensuring that sufficient systematic internal control is performed.

The CEO ensures a satisfactory performance of tasks and internal control system. This takes place through appropriate organisation with clearly defined areas of responsibility, tasks, powers, authority and reporting lines as well as the resources required.

The CEO and the management of the individual units assess the internal control methods within their area of responsibility based on the information they receive throughcontinuous reporting. On this basis, the management initiates the necessary corrective measures.

The internal control is an integral part of management practice and risk management at all levels in ATP.

The internal control system is based on the fundamental principle that controls are performed by a person other than the person who performs the primary task (the four eyes principle). In cases in which it is not prudent for the control to be performed within the same unit, the control is performed in a unit other than the unit performing the task.

Areas with potential conflicts of interest with the controlling officer's other tasks are identified and monitored. As a starting point, functions are separated in such a way that faults and deviations that occur in one place in the organisation are ascertained and corrected elsewhere.

Business procedures describe the performance of and follow-up on the internal control and ensure compliance with internal and external requirements for the necessary documentation.

Where relevant, internal controls are established as IT-supported, automatic controls, which especially applies in customer-oriented processes and other high-risk areas.

Compliance function:

The overall responsibility of the compliance function is to monitor and assess whether ATP has efficient methods for identifying and reducing the risk of non-compliance.

The compliance function also presents proposals for ATP's compliance policy for use by the Supervisory Board in its preparation of the policy.

The person responsible for the compliance function reports to the CRO, but may contact the Supervisory Board directly and may express concerns as and when appropriate. The person responsible for the compliance function has monthly meetings with the CEO.

The compliance function prepares an annual compliance plan and a follow-up report, which the key person responsible presents to the Audit Committee and the Supervisory Board.

C.5. INTERNAL AUDIT FUNCTION

ATP has established an Internal Audit function in accordance with applicable legislation. The Internal Audit function is headed by a Chief Auditor referring to the Supervisory Board. The Supervisory Board is solely responsible for the recruiting and dismissal of the Chief Auditor and for the terms of employment as well as the Internal Audit budget. Moreover, Internal Audit is solely subject to the instructions of the Supervisory Board and the Chief Auditor and Internal Audit staff must not participate in other work than auditing in the ATP Group. Restrictions cannot be imposed on the Internal Audit function in relation to the work that is regarded as necessary to enable the Internal Audit function to meet its auditing responsibilities. The Internal Audit function has access to the Supervisory Board's protocols and other records which are regarded as relevant and is authorised to demand all the information that Internal Audit function finds necessary to conduct its audit. This ensures that the internal Audit works independently of the business and the Group Management.

The Chief Auditor has been made responsible for the Internal Audit function, within the framework of the policy for internal audit in the ATP Group and the management executive order for ATP. The work carried out by Internal Audit follows from the audit executive order for ATP, and Internal Audit's responsibilities follow the job description for Internal Audit. The distribution of labour between Internal Audit and external audit is determined in the audit agreement between the Chief Auditor and external audit in accordance with the audit executive order. [revisionsbekendtgørelsen] The Internal Audit function conducts audits of all material and risky areas.

In accordance with the Executive Order on Auditing 'Revisionsbekendtgørelsen', the Supervisory Board has decided that the Chief Auditor provides the financial statements with an auditor's report. As part of the auditing methodology, a quality assurance system containing principles for conduct, relations and performance of audit tasks has been prepared and implemented to ensure independence and objectivity.

The Internal Audit function must not be responsible for or conduct internal controls. The Chief Auditor and the Internal Audit staff must not participate in tasks which may place the Chief Auditor in a situation in which he or she provides opinions or information on matters or documents for which the Chief Auditor or Internal Audit staff have prepared the basis.

C.6. ACTUARIAL FUNCTION

The Supervisory Board has appointed the Chief Actuary responsible for the statutory actuarial function in ATP. The Chief Actuary is employed by and reports to the Supervisory Board.

The Actuarial function is responsible for the measure of pension provisions and for ensuring that the underlying assumptions and methods are appropriate. This comprises ATP's proprietary life expectancy model. The Actuarial function also works closely with the risk management function on the management of pension-related risks. The Actuarial function explains all significant consequences of changes in data, methods or assumptions for the calculation of pension provisions.

The actuarial function also performs tasks that fall under the Chief Actuary. The Chief Actuary is entitled to demand all information that the Chief Actuary finds necessary to conduct its work, including the Supervisory Board's protocols. The actuarial function including all its employees has authorisation to access all the information that the function finds necessary to conduct its tasks.

The actuarial function reports at least once a year to ATP's Supervisory Board on whether the measure of pension provisions is reliable and adequate. The actuarial function belongs to the CRO organisationally, but the person responsible for the actuarial function is obliged to contact the Supervisory Board directly to express concerns in cases where they find this necessary.

Activities of the actuarial function, including contribution to the risk management system

Interest rate hedging of pension liabilities and ATP's proprietary life expectancy model, SAINT, are essential parts of ATP's risk management system. The actuarial function contributes to the effective implementation of the risk management system by calculating expected cash flows and key interest rate hedging ratios. The actuarial function is also responsible for the annual update of ATP's proprietary life expectancy model.

The actuarial function works closely with the risk management function on pension risks through the established Pension Forum - including in the annual update of the lifecycle model.

The actuarial function also contributes to the risk management function's reporting concerning pension risks.

Coordination of the calculation of pension provisions

The actuarial function calculates the value of the pension provisions daily and assesses the sufficiency of the provisions and their consistency with the provisioning framework on an ongoing basis. This includes assessing the appropriateness of the lifecycle model, methodologies, models and assumptions.

The actuarial function also decomposes changes in provisions daily and explains any significant changes in data, methods or assumptions.

The actuarial function reports potentially significant risks and other major issues relating to the pension provisions to the Supervisory Board as soon as the person responsible for the actuarial function considers it necessary.

C.7. OUTSOURCING

The legal basis for outsourcing in ATP reflects – with concrete adaptations – the corresponding rules that apply to insurance companies and thus also with EU rules in this area. Among other things, the rules must ensure that ATP continues to be responsible for outsourced tasks and that the Danish Financial Supervisory Authority can continue to carry out effective supervision. The Supervisory Board has thus replaced the previous guidelines with a new outsourcing policy in ATP.

The Supervisory Board approves the outsourcing of critical or important operational functions and activities and the most important principles for such outsourcing. According to the Supervisory Board policy outsourcing is used when this is expected to create value for ATP. Outsourcing can be chosen, for example, if access to flexible resource pools, access to core- or special skills, efficiency enhancement, efficiency improvement or financial benefits can be achieved. Prior to any outsourcing decision, an assessment is made of whether the supplier is able to perform the outsourced tasks satisfactorily and in accordance with ATP's requirements. The assessment includes insurance that the supplier has the ability and capacity necessary to handle the task satisfactorily, including the permits required under applicable statutory provisions.

When outsourcing critical or important activities, ATP also ensures that the supplier's risk management systems can ensure that the outsourcing does not lead to a significant deterioration in the quality of the management system or an unnecessary increase in the operational risk in ATP. In addition, ATP must take into account the outsourced tasks in its own corporate governance. There are requirements for, among other things, adequate contingency plans on the part of the supplier and regular testing of backup functions. When outsourcing to a subsidiary, a satisfactory solution for the outsourced tasks is ensured, for example, through ATP's influence on the management and control of the subsidiary.

Agreements with a supplier are concluded in writing and set out the rights and liabilities of ATP and the supplier. The Supervisory Board's policy imposes several specific requirements on the content of agreements for the outsourcing of critical or essential activities, as well as particular requirements for the outsourcing of discretionary portfolio management and the outsourcing of IT.

Guidelines for approving cloud solutions in the ATP Group have been developed to ensure a proper assessment of, including GDPR and other legal risks, as well as security and business risks when adopting cloud solutions reporting to the Supervisory Board in this respect, including concerning developments regarding third-country transfers of personal data.

The status on the outsourced activities, including whether the performance of the outsourced tasks remains reassuring, are reported at least once a year and thereafter as needed to the Supervisory Board. Once a year, the Supervisory Board reviews the policy for outsourcing.
ATP has established business procedures that ensure follow-up on the benefits provided by the outsourcing suppliers. There are agreed specific service level for each benefit, monthly reports are received from suppliers, and regular meetings are held with suppliers. Moreover, audit declarations are received, and access to carrying out self-assessments of suppliers is agreed upon.

ATP has outsourced the following critical or important activity areas to external suppliers:

- Delivery of IT capacity in the form of servers and other technical infrastructure components (outsourced to KMD A/S)

- Management of investment frameworks for direct or indirect investments in real estate as well as administration and management of ATP's portfolio and performance of ATP's obligations as owner or landlord regarding ATP's domicile properties (outsourced to the subsidiary ATP Ejendomme A/S).

- Providing cloud infrastructure for processing and storing financial data (outsourced to Microsoft Azure)

C.8. OTHER INFORMATION

ATP is of the opinion that the system of governance reflects the nature, scale and complexity of the risks associated with ATP's activities.

The management system is developed in accordance with the ATP Act and the Danish Financial Supervisory Authority's Decree on the management and governance of ATP, as well as the Decree on Pay Policy and Remuneration in ATP and the Decree on Outsourcing for Group 2 Insurance Companies, ATP and the LD – The Employees' Capital Pension Fund. In addition, ATP follows the recommendations of the Committee on Corporate Governance with relevant adjustments taking into account ATP's specific circumstances.

ATP's Board of Representatives, Supervisory Board, CEO and key personnel have defined responsibilities, tasks and powers. These are documented in rules of procedure, terms of reference, policies, guidelines and CEO instructions, which are reviewed at least once a year, and job descriptions.

D. Risk profile

ATP has no equity capital and is not subject to a solvency capital requirement. ATP's overall risk profile is therefore based on a measure of the aggregate risk using a proprietary risk model, supplemented with other risk calculation and analyses. The purpose of these risk calculations is to provide a varied and detailed overview of the specific risks to which ATP is exposed. ATP's financial robustness is assessed by comparing the calculated risks with the bonus potential constituted by ATP's reserves. ATP can cover its risks according to a large number of risk calculation and analyses The overall assessment is that ATP's risk and financial condition is adequate.

ATP's risk profile is described in the following; first based on ATP's overall risks and then based on each of the underlying risk categories.

ATP's overall risks

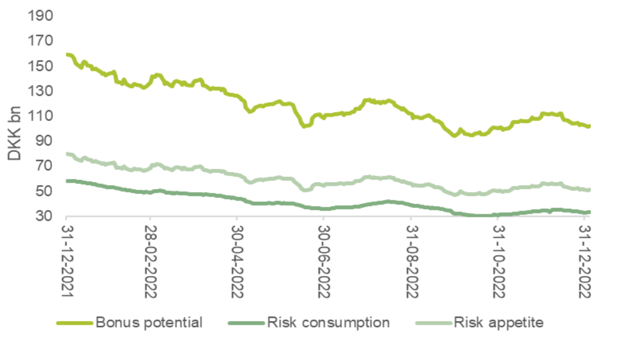
ATP determines daily its risk consumption, i.e. ATP's quantitative target for total risk. The risk consumption is measured by an ATP-developed risk model that calculates a total risk consumption based on the risks that are associated with ATP's business model.

The risk measure for risk consumption is expected shortfall (ES) with a confidence level of 99 per cent and a three month time horizon. Risk consumption is a here-and-now stress without risk adjustment and expresses the average of the 1 per cent biggest loss of bonus potential on a three month time horizon.

In order to protect ATP's bonus potential and economic independency, the Supervisory Board has determined a risk budget, which is an upper limit for the total risk consumption . The risk budget reflects the Supervisory Boards overall risk tolerance and is set at 50 per cent of the bonus potential. Hence, the risk budget changes dynamically in line with changes in the bonus potential.

The development in total risk consumption, risk budget and bonus potential in 2022 is shown in Chart D.1. The bonus potential decreased during the year, which resulted in an decrease in risk consumption. At the end of the year, the bonus potential ca. DKK 57 bn fell to a level lower than at the beginning of the year. The utilisation of the risk budget was at a lower level than at the beginning of the year.

Figure D.1 ATP's total risks in 2022



The following subsections describe ATP's risk profile in relation to the underlying risk categories.

D.1. PENSION-RELATED RISKS

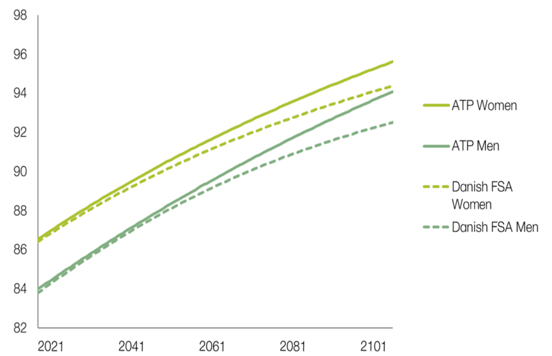
Market risks are the risk category, which contributes the second highest risk in the calculation measure of ATP's overall risks (risk consumption). End of year 2022, the pension risks were calculated at DKK 9.0 bn.

ATP pays out a monthly lifelong pension to its members. Accordingly, increasing life expectancy (longevity risk) is ATP's greatest pension-related risk.

When life expectancy increases more than predicted, the bonus potential is reduced, since ATP has to reserve a greater amount to cover the pension liabilities, as pensions have to be paid out for longer. ATP has elected not to hedge its longevity risk, and must therefore cover losses in case of increased life expectancy. ATP follows life expectancy statistics closely, based on an in-house developed life expectancy model.

Since 2018, ATP has provided DKK 7 bn to increased life expectancies. These provisions have reduced ATP's bonus potential, but in contrary to for instance investment loss it has not reduced the total asset value of the members. On the contrary, additional provisions as a result of longer life expectancy, reflect that ATP's members are expected to live longer and provisions will therefore benefit ATP's members.

Figure D.2 Projected life expectancy



Other Danish pension companies apply a model based on life expectancy preconditions developed by the Danish Financial Supervisory Authority for the use of those insured via the life and pension companies. Chart D.2 shows the life expectancies of 67-year-old men and women based on ATP's and the Danish Financial Supervisory Authority's model for life expectancy assumptions, respectively, the latter adapted to the observed life expectancy in ATP. It can be seen that ATP's life expectancy model projects greater increases in life expectancy than those envisaged by the Danish Financial Supervisory Authority's (FSA) model.

The Danish FSA's life expectancy preconditions are a benchmark for current observed life expectancy, based on information from a number of Danish life insurance companies and broad-spectrum pension funds with a total of 3.0 million customers, as well as a benchmark for life expectancy improvements based on population data from all of Denmark. ATP's model is based partly on information concerning its 5.5 million members and partly on information concerning approx. 340 million inhabitants in 18 OECD countries. This means that different data are used when modelling life expectancy preconditions, just as the models themselves differ

The model developed in ATP is based on the assumption that the development of life expectancy in Denmark follows the same pattern as in the 18 selected OECD countries, and that the backlog that Denmark has in relation to the selected countries will be obtained over time. Data from the latest 100 years show that the countries have generally undergone the same development in longevity, although it differs from country to country when and how fast improvements take place. ATP incorporates international data to provide a stable forecast for future improvements in life expectancy.

D.2. MARKET RISK

Market risk exposures with the purpose of generating a return are managed in the investment portfolio based on a given risk budget and risk diversification limits. Market risks associated with the guaranteed benefits are managed in the hedging portfolio to ensure that the interest rate risk associated with the guaranteed benefits is hedged to the greatest possible extent. ATP follows a well-defined strategy and works on the basis of a risk framework with detailed risk limits and close risk monitoring.

Market risks are the risk category, which contributes the highest risk in the calculation measure of ATP's overall risks (risk consumption).[3]. ATP's proprietary model, market risks have been calculated at DKK 31.5 bn net of tax by the end of 2022.

Market risks related to the hedging portfolio and the guaranteed benefits

Market risks in the hedging portfolio and the guaranteed benefits consist mainly of interest rate risks. The hedging portfolio generally has the same interest rate sensitivity as the guaranteed benefits. A general interest rate change has a large impact on ATP's statement of financial position, while the bonus potential will be virtually unaffected, as changes in the hedging portfolio and the value of the guaranteed benefits will largely offset each other. Market risks related to hedging activities are therefore limited, which is also illustrated in Chart D.3, which shows market risks calculated using Expected Shortfall (ES) after tax.

The hedging ratio[4], which indicates the ability of the hedging portfolio to hedge the interest rate sensitivity of the

3 The risk consumption statement also includes the risk related to the bend in the ATP yield curve.
4 The hedging ratio is measured as the after-tax duration of the interest rate hedge portfolio in relation to the duration of the guaranteed benefits.

Figure D.3 Market risks measured by ES (after tax)

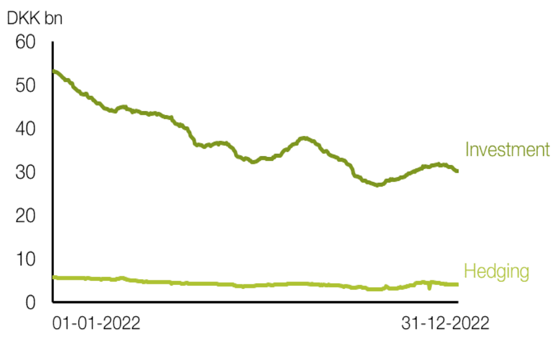
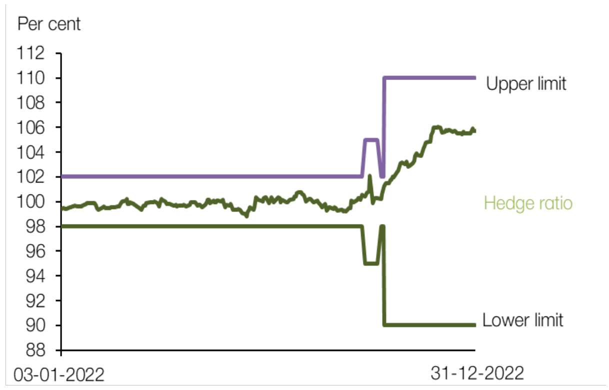


Figure D.4 Hedging ratio



guaranteed benefits, was 105.7 per cent at year end-2022. As the figure D.4 indicates, the hedging ratio was close to 100 per cent for the majority of the year. The hedging ratio was increased to address ATP's higher interest rate risk in connection with the implementation of a new yield curve and the hedging framework was temporarily expanded to address this, cf. figure D.4.

The interest rate sensitivity of the guaranteed benefits constitute almost exclusively of yields linked to Danish and German government bonds and interest rate swaps denominated in Danish kroner and euros. This means that, in order to reflect this interest rate sensitivity, the hedging portfolio must contain significant exposure to Danish and German government bonds and interest rate swaps denominated in Danish kroner and euros.

At year-end 2022, the market value of bonds in the hedging portfolio totalled DKK 300 bn Danish and German government bonds constitutes a large proportion of this portfolio and therefore ATP has a significant exposure to the Danish and German government. Regarding interest rate swaps, ATP trades with several different financial counterparties, in order to ensure diversification. See section D.3 for more information about ATP's counterparty risks.

Market risks associated with the investment portfolio

ATP's market risk primarily consists of market risks associated with the investment portfolio. The principal objective of the investment portfolio is to generate a return that will allow, in part, the building of reserves for, e.g., financing increased life expectancy, such that ATP secures pensions for a whole lifetime, and to increase the guaranteed pensions, thereby safeguarding the real value for of the lifelong pensions.

In order to have a robust investment portfolio with a high rate of expected return, the investment portfolio is managed with a strategy of risk diversification. The risk associated with each investment can be attributed to the four different risk factors, combined in a certain ratio to achieve a portfolio with the desired risk profile. The four fundamental factors: Equity factor, Interest rate factor, Inflation factor and Other factors. The risk associated with each investment is allocated to the four factors based on the types of risk to which the investment is exposed.

Table D.1 Market risk on factors at the end of 2022

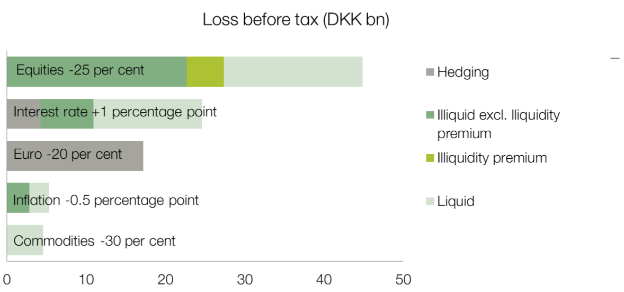
	Expected Shortfall in DKKm	Risk distribution in per cent
Equity factor	31.429	53
Interest rate factor	14.672	25
Inflation factor	7.476	13
Other factors	5.635	10

Expected Shortfall for each of the four risk factors as well as the risk distribution calculated as the individual factor's share of the sum of the risk for the four factors at the end of 2022 is shown in table D.1 for ATP's total investment portfolio. To ensure appropriate risk diversification, ATP's Supervisory Board has set benchmark guidelines and lower and upper limits for the share of risk of each factor in the liquid and illiquid parts of the investment portfolio.

Individual stresses

ATP also highlights market risks associated with the investment portfolio and the hedging portfolio by making individual stresses for a number of market risk factors. The individual stresses are based on ATP's risk modelling. A selection of the individual stresses are shown in Chart D.5 which shows ATP's loss before tax as a result of the individual stresses, stated as the immediate effect of allowing the stress to occur in one day without any risk adjustment.

Chart D.5 Individual stresses



The chart shows that ATP has the highest exposure in the individual stress against the equity factor where a stress of 25 per cent implies a loss of DKK 45 bn, equal to 38 bn after tax. The equity stress reflects both loss on equity and on other investments such as credit, real estate and infrastructure, that contain equity exposure in ATP's risk modelling. According to the individual stresses seen separately, ATP incurs a loss of approximately 25 bn before tax in an interest rate stress of 1 percentage points. The chart also shows that if the fixed rate policy is abandoned and the rate of the euro falls by 20 per cent, ATP may incur a loss of DKK 17 bn before tax as a result of a decrease in the value of ATP's euro-denominated assets. The exchange rate movement of 20 per cent corresponds to the decrease in the rate of Swiss franc (CHF) relative to euro (EUR). This occurred at the beginning of 2015 as a result of the Swiss Central Bank's removal of the currency's link to the euro. Currency exchange rate risk vis-a-vis euro is considered to be a significant risk for ATP. However, ATP considers it unlikely that the fixed exchange rate policy is abandoned and this stress is therefore considered to be a very rare event. The other market stresses in Chart D.5 lead to significantly lower losses.

D.3. COUNTERPARTY RISKS

Counterparty risks are risks associated with financial counterparties' potential breach of agreements entered into in connection with contracts on derivatives, repo reverse transactions and bank deposits.

The use of derivatives, especially for interest rate hedging, represents a particular risk for ATP. Changes in the value of these instruments will generate a liability or a receivable between ATP and its counterparties. ATP may therefore incur a loss if – for example because of a bankruptcy or liquidation – a counterparty is in breach of a concluded agreement. In order to reduce counterparty risk, both ATP and its counterparties require that collateral is provided for mutual receivables. Collateral is typically provided so that the market value of the collateral exceeds the market value of the related contract by a certain margin.

Table D.2 indicates the calculated counterparty exposure on ATP's 10 largest counterparties. The rating denotes the lowest rating of the counterparty by the rating agencies Moody's and Standard & Poor's on the legal entity linked to the exposure concerned. Where there are multiple legal entities within the same group, the lowest rating recorded is used. Where a legal entity does not have a rating, the guarantor's lowest rating is used.

As Table D.2 indicates, ATP's largest exposure to a counterparty is DKK 5.1 bn. An exposure of this size could potentially result in a significant loss, but would only have a limited impact on ATP's solvency. Most often, in the case of breach of contract or bankruptcy, it will be possible to obtain partial repayment from the estate assets. The exposure calculation does not take into account this recovery rate,

Table D.2 Counterparty exposures linked to ATP's ten largest counterparties (DKK million).

		Counterparty exposure			
	Rating	Bilateral OTC-derivatives	ETD and cleared OTC-derivatives	Bankaccount	Total exposure
Counterparty 1	A+	2.549	778	1.758	5.085
Counterparty 2	A+	1.524	528	1.055	3.107
Counterparty 3	A+	2.361	311	109	2.781
Counterparty 4	A-	2.360	-	-	2.360
Counterparty 5	A+	1.714	-	347	2.061
Counterparty 6	A-	1.778	255	-	2.033
Counterparty 7	A	1.604	50	57	1.711
Counterparty 8	A-	1.292	-	-	1.292
Counterparty 9	A+	550	-	588	1.138
Counterparty 10	A+	762	-	-	762

nor does it take into account the probability of default of each counterparty.

Counterparty risks only contribute marginally to the overall risks (Risk consumption). In ATP's proprietary risk model, counterparty risks have been calculated at DKK 0.4 bn as of year-end 2022 after tax.

D.4. LIQUIDITY RISKS

Liquidity risks are risks associated with potential non-payment of payment demands or securities.

ATP has developed a model for liquidity risk management to ensure that ATP is, at any given time, able to meet its contractual liabilities, either to obtain liquidity or to provide collateral. This must be done by ensuring that sufficient liquidity can be obtained to meet liquidity requirements in the short term (five banking days) and the long term (one year).

Table D.3 Liquidity risks at year-end 2022

	5 days	1 year
Total liquidity provision	314	439
Total liquidity requirement	123	350

Table D.3 indicates the liquidity which ATP is able to obtain as well as ATP's liquidity needs within a given time frame. Liquidity can be obtained through sales of assets, but they can also be raised on the repo market, where bonds are lent in exchange for liquidity.

Differences in the liquidity of the assets are taken into account in the calculation measurement. I.e. the liquidity that can be obtained relative to the market value of the assets. The liquidity need includes both the draw on liquidity following from the continuation of ATP's activities (for example, pension payout) and an extraordinary draw on liquidity resulting from unfavourable conditions (for example market stress). The liquidity requirements have been estimated based on the fact that a number of very unfavourable market conditions are playing out at the same time, which is why the liquidity requirements have been estimated very conservatively.

D.5. OPERATIONAL RISKS

The operational risks associated with the management of ATP Livslang Pension (Lifelong Pension) cover all potential financial, reputational or compliance-related impacts associated with, in particular, trading activities, risk measurements, contributions and payments to ATP's members and the operation of systems and information security. The operational risks generally manifest as financial losses and are included in the measure of Risk Consumption in the ATP developed model. For the year-end 2022, operational risks were calculated at DKK 1.9 bn according to ATP's model and therefore contribute only to a limited extent to the overall risk (Risk Consumption).

The Supervisory Board has specified detailed principles for the management of operational risks to ensure that the impact of such operational risks are limited both in terms of financial, reputational and compliance-related impacts.

The management of operational risks in ATP is principally based on two methods. One method is risk assessments, to identify, measure and determine the Supervisory Board's desired risk profile, and in the scope of that administration’s risk tolerance. The second method is the systematic collection of operational incidents.

Operational risks are identified on a continuous basis by the Administration and then measured according to the ATP Group's risk scales for probability and impact respectively. Operational risks are measured against the risk appetite and tolerance threshold established by the Administration. If the risk is beyond the risk appetite, this difference must be managed either by accepting and updating the risk appetite level or by planning actions that bring the risk within the risk appetite levels. Risk management is undertaken using a risk-based approach, whereby operational risks are mitigated taking into consideration impact and probability on one side and the expense of mitigating the risk on the other side.

ATP has identified the activities related to the management of ATP Livslang Pension (Lifelong Pension) where the occurrence of an operational event is estimated to have the greatest impact. For 2022, these relate to:

- Strategic work related to ATP’s business model
- Measurement of life expectancies, provisions and guaranteed benefits
- Models, In-house developed programs and risk associated with investments
- Communication with members as well as payment of benefits and collection of contributions.
- Information security and cyber security
- GDPR

Operational incidents and near misses are included in the identification of operational risks and are consequently considered as a component of the overall risk landscape. Operational incidents are logged and recorded systematically. Operational incidents resulting in loss/gain, or which could have resulted in loss/gain, are recorded and categorised according to subject matter and significance based on the financial, reputational or compliance (including GDPR from the perspective of data subjects) impacts. Documenting aims to provide an overall view of the incidents affecting ATP as a result of operational failures, address gaps in the control environment, and learn from incidents that have occurred to proactively improve risk management.

The Supervisory Board receives an annual operational risk report, and the CEO also receives a quarterly operational risk report. Significant operational events are reported separately to the ATP Supervisory Board at the first Supervisory Board meeting after the event has been recorded.

ATP assesses the management of the Group's operational risks as satisfactory.

ATP information security and cyber security

The risk concerns the possible compromise of confidentiality, integrity and availability of information as well as the general maturity and compliance with ATP's Information Security Policy. Due to a continued high level of threats, in 2022, ATP has again increased its attention and focused on information and cyber security.

D.6. OTHER SIGNIFICANT RISKS

ATP has no other significant risks

D.7. ADDITIONAL INFORMATION

ATP must invest the assets in accordance with the ‘prudent person principle’, which means that ATP must invest the assets so that the members’ interests are safeguarded in the best possible way. ATP complies with this principle by structuring its investment strategy and the accompanying risk management based on the pensions that the members have been promised. This means that the assets will be invested in a way that supports stable lifelong pensions, which are continuously regulated to secure the members' purchasing power over time.

ATP's investments are basically divided into a hedging portfolio and an investment portfolio, which reflect the design of the pension product and which are managed in accordance with principles and guidelines based on the portfolio objective.

The objective of the hedging portfolio is to safeguard ATP's ability, at all times, to deliver on the guarantees issued. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates is in line with the guaranteed benefits when interest rates change.

The interest rate sensitivity of the guaranteed benefits constituted by sensitivity linked to Danish and German government bond yields and swap rates in Danish kroner and euro. The ATP Supervisory Board has established a framework to ensure that the interest rate hedging portfolio hedges the guaranteed benefits interest rate sensitivity both in aggregate and by yield curve and maturity segment.

The investment portfolio aims to generate a return that makes it possible to build up reserves to provide for longer life expectancy than expected, for example, so that ATP can guarantee pensions throughout life, increase guaranteed benefits and help secure the real value of lifelong pensions. The Supervisory Board has established a framework for risk diversification and risk limits.

The investment portfolio is based on a strategy of risk diversification on four fundamental factors, Equity factor, Interest rate factor, Inflation factor and Other factors. The risk associated with each investment is allocated to the four factors based on the types of risk to which the investment is exposed. Figure D.7 shows the relationship between the four basic factors and a number of selected traditional assets.

The desired risk exposure to the four factors is implemented through trading within the investment landscape approved by the ATP Supervisory Board. This provides flexibility in achieving the desired risk exposure, as the investment landscape includes a range of liquid and illiquid assets.

The ATP Supervisory Board has set a framework based on Expected Shortfall for the exposure to the four fundamental factors. In addition to these frameworks, frameworks have been established that ensure the diversification of risks among issuers and regions. There are also specific frameworks for using derivative financial instruments and illiquid assets.

ATP's overall investments are therefore organised according to the nature of the liabilities and with a framework to ensure that the investment strategy is and remains appropriate and resilient to fluctuations in the financial markets.

The prudent person principle also means investing only in assets and instruments whose risks are identified, measured, managed, monitored, controlled and reported. In line with this, the ATP Supervisory Board has determined the types of assets and instruments in which ATP may invest and that investments are made only when the operational and risk management basis is sound.

ATP has investment and subsequent asset management processes to deliver this. This ensures, among other things, that ATP can manage the assets and instruments included in the current measurement and monitoring of risks and the current and periodic reporting to the Supervisory Board and management in general.

The bulk of ATP's trading is in traditional liquid assets where the associated risks are familiar and well analysed. Therefore, when trading in these assets and instruments, ATP can employ a highly automated process regarding the associated risks, i.e. in the identification, measurement, monitoring, management and reporting.

Trading in illiquid assets, such as unlisted private equity, infrastructure and real estate, is subject to a specific assessment of each asset and its inherent risks.

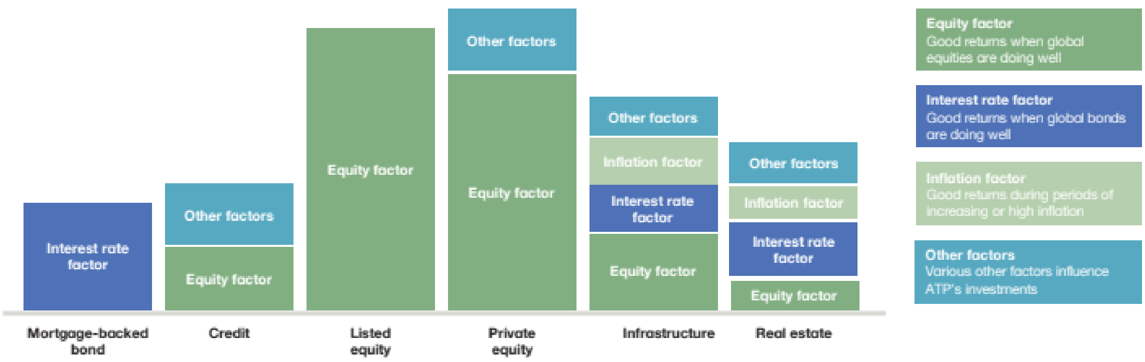
This is essential as illiquid assets are often characterised by extensive contractual documentation and complex investment structures that require review and assessment prior to investment. The necessity for a thorough assessment is further accentuated by the typically long investment horizon of illiquid assets, stemming from the fact that it may be difficult to dispose of the illiquid assets again - especially if this needs to be achieved in a short period of time.

Evaluation of illiquid assets includes a thorough due diligence process designed, among other things, to identify the assets' inherent risks to manage them and, where possible, mitigate them. Box D.1 describes the typical risks associated with illiquid assets.

The market risks associated with illiquid assets are measured daily, like ATP's other assets, equity and liabilities. The illiquid assets are consequently included in the Supervisory Board's framework based on the market risk measures. Moreover, the Supervisory Board has developed a framework for illiquid assets based on market value and risk.

When investing in a new illiquid asset, a specific assessment is conducted of how the asset in question should be represented in ATP's risk models, taking into consideration established principles so that the inherent risks can be quantified in the best possible way. Risks associated with illiquid assets are generally quantified at a higher level than those related to liquid assets, although illiquid assets usually perform at a more stable level. This takes into account the fact that illiquid assets may be more challenging to dispose of and, therefore, may decrease in value more in highly volatile market conditions.

Figure D.7 Factor-based risk composition of selected assets



Fact box D.1 Specific risks of illiquid assets

Legal and regulatory risks

The illiquid assets typically involve extensive contractual documentation, a complex investment structure and investment partners from multiple countries. This added complexity means that there is a risk that situations or events could occur that are not governed by the contracts or that changes in legislation, including tax legislation, could occur that alter the preconditions pertaining to the investment.

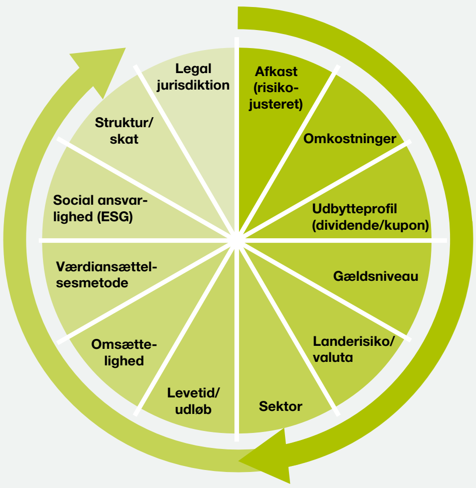
Valuation risks

Since illiquid assets are not traded in liquid and transparent markets, it is not straightforward to derive a value for the asset in the market. Instead, the value of the assets is determined based on separate financial models and parameters relating to the specific investments. Therefore, the valuation is subject to risks since the market value of the assets cannot generally be verified before a sale takes place.

Illiquidity risks

Investment in illiquid assets incurs illiquidity risk as they are generally not convertible to liquid assets within a short time frame. Moreover, in certain circumstances, illiquid investments require sound liquidity management. Certain illiquid assets include investment commitments where the amount invested is to be paid on an ongoing basis as the need arises. ATP has developed a liquidity model to ensure that ATP has sufficient liquidity to meet its liquidity needs. The illiquid status of investments creates a particular risk concerning ATP's portfolio composition. If ATP finds itself in a situation where the investment risk needs to be notably reduced, it could leave ATP with essentially only illiquid assets. Therefore, when investing in a new illiquid asset, it is essential to ensure that the overall illiquid assets remain appropriately diversified. To this end, ATP has a Supervisory Board-established framework for illiquid investments and allocation to types of illiquid assets, in addition to special monitoring of economic, geographical, structural and duration portfolio parameters for illiquid assets, as illustrated in Figure D.8.

Chart D.8



Managerial risks

Some ATP investments in illiquid assets are made through subsidiaries and funds. A risk associated with fund investments relates to the limited transparency to detail information about the underlying portfolio. Therefore, ensuring a sufficient commonality of interest between the manager and ATP is essential. The manager is responsible for selecting the right investments and managing them. The challenge is that in some instances, the manager may have other interests aside from ATP, such as holding investments longer than necessary to accrue fees for a more extended period of time. ATP limits investments in funds. Concentrations with business partners (managers) entail several operational risks, including dependence on key persons and the ability to deal operationally with a non-performing investment manager, including errors in data delivery or other performance areas. ATP strives to minimise these risks but accepts a concentration vis-à-vis selected managers to the extent that benefits can be obtained by entering into strategic cooperation with such managers. ATP has increased its direct investments in illiquid assets over the past few years to manage individual investments and their risks better. However, indirect investments continue to be made.

Asset-specific risks

As with all assets, illiquid assets are exposed to several specific risks that are critical to the asset's performance. Before investing, ATP identifies and assesses these risks and performs a series of specific sensitivity analyses to determine the impact of particular risk situations on the value of the illiquid asset. ATP also assesses the illiquid assets against ATP's guidelines on corporate social responsibility and stewardship. The assessment importance is compounded by the long investment horizon of the illiquid assets, which may be difficult to dispose of in a short period of time if a mismatch between the investment and ATP's return requirements or guidelines subsequently arises.