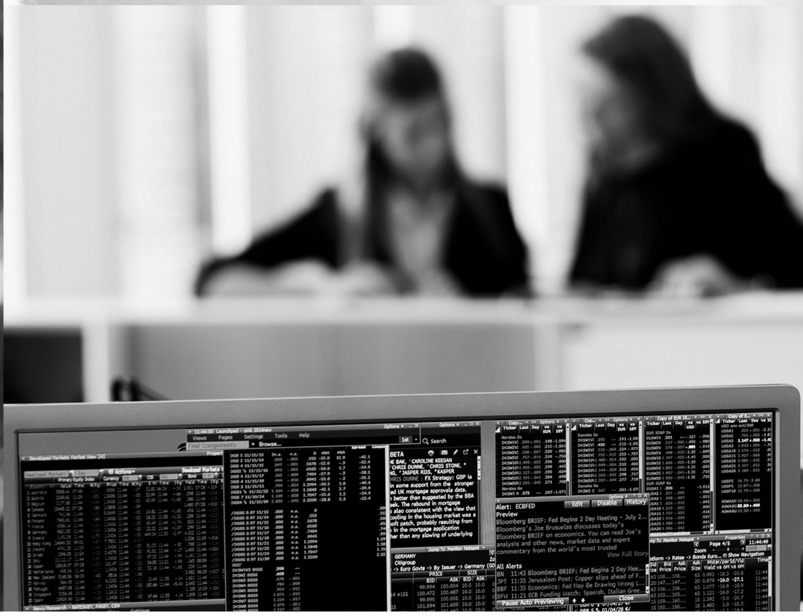
Risk and Financial Condition Report

2024



atp=

Table of contents

A. Summary

ATP´s Risk and Financial Condition Report
This report is prepared in accordance with the Executive Order on the Submission and Publication of Information for ATP. The requirements for the ATP report reflect, taking into account the specific characteristics of ATP, the requirements for the Solvency and Financial Situation Report prepared by pension companies subject to the pan-European Solvency II Rules. The unique circumstances include the fact that ATP has no equity capital and is not subject to solvency capital requirements. ATP's report will consequently differ from other pension providers' reports. 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 and contains further information about ATP's activities and results, system of governance and risk profile in its capacity of pension provider. The report thus covers the activities related to the management of ATP Lifelong Pension 'ATP Livslang 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 people's retirement experience since its establishment in 1964, together with the state-funded old-age pension, state pension, which has had a significant impact on the design of ATP Livslang Pension (Lifelong Pension) and the management of investments. ATP's business model is thus designed to deliver basic security through lifelong pensions that strive to be real value secured over time. ATP's role was most recently highlighted in the Danish Parliament's consideration of the ATP Act in May 2021, when a broad majority in the Danish 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 members.

The result for ATP Livslang Pension (Lifelong Pension) was DKK -1.9bn in 2024, which is composed of the result of Hedging and the result of Investment. The hedging result was DKK -1.7bn while the investment result amounted to DKK -0.2bn. In the investment portfolio, the largest positive contributions to the return came from holdings of listed international equities, while the largest negative contributions came from holding of government bonds and mortgage bonds.

In 2024, ATP members paid in DKK 13.7bn and ATP paid out DKK 19.5bn in pensions. In 2024, ATP's administration activity expenses were DKK 208 million, which equates to DKK 37 per member.

ATP's Supervisory Board determines the annual bonus in the form of a percentage increase in the pension already accrued. The general guidelines for the distribution of bonuses are set out in the ATP Bonus Policy, adopted by ATP's Supervisory Board. Based on these guidelines, ATP's Supervisory Board in 2024 decided not to distribute a bonus.

At the end of 2024, ATP's total pension liabilities amounted to DKK 574.5bn and the unallocated funds consisting of the bonus potential and the Long-Term Supplementary Provision amounted to DKK 143.5bn. The bonus potential, calculated as the bonus potential in relation to the guaranteed reserves without spread and including provisions for life annuity with market exposure, amounted to 17.1 per cent.

System of Governance
The ATP Act lays out the objectives and framework for the management of the ATP, including that a Board of Representatives manages the ATP, 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 system of governance reflects the nature, scale and complexity of the risks associated with ATP's activities.

Risk profile
ATP's risk profile is aligned with the objective of securing guaranteed lifelong pensions, being able to cover possible unexpected life expectancy increases for pensions and other unexpected expenses and allowing for the possibility to increase the real value of pensions. The total risks must

be aligned with the business model decided by the Supervisory Board and the ultimate loss-absorbing provisions consisting of the bonus potential. The risk profile for ATP is generally expressed by how much overall risk is accepted. The total risk is measured in a risk model developed by ATP supplemented by a number of 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 exposure to risk and its financial situation is adequate.

B. Activities and results

Figure B.1 ATP's tasks

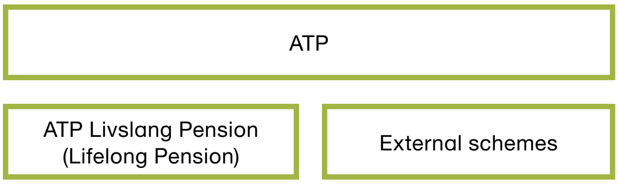


Figure B.2 ATP Group's vision and strategic goals

The ATP Group's visions:

We are working to ensure that we have a community that gives the individual the freedom to live a secure and dignified life.

The ATP Group's strategic objectives

- Community contributions: We want to make a strong contribution to society and help future-proof the welfare state
- Digitalisation: We want to be one of Denmark's leading technology and digitalisation companies
- Sustainability: We want to promote a greener society with room for all talents

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 5.7 million members, 1.1 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 life annuity with market exposure, and a changed hedging strategy was introduced in 2023.

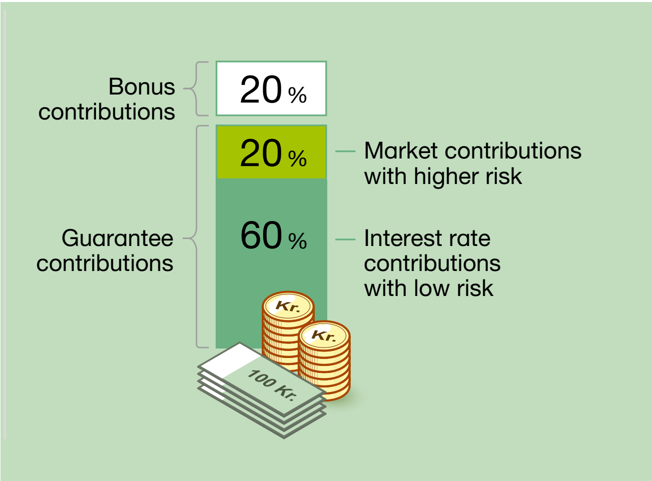
In addition to ATP Livslang Pension (Lifelong Pension), ATP performs administrative services for several external schemes on behalf of labour market organisations, municipalities, and the Danish government. The services consist of collecting contributions, payment of benefits, membership and client administration 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 out two-thirds of the welfare spending in Denmark.

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 the ATP.

Figure B.3 Business model for those with more than 15 years to go before qualifying for 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 annually determines the strategy for the ATP Group, as well as the focus areas to be prioritised in the following years. The strategy is set collectively for the whole ATP Group to ensure a sustainable ATP with coherence across the Group.

The strategy for 2024 is built around the three Group strategic objectives shown in figure B.2 and is based on the ATP Group's overall vision. Underpinning each strategic objective are initiatives to help ensure the strategy is fulfilled. The strategy and the results obtained will be reviewed at midyear and the end of the year.

For 2024, the Supervisory Board has set a long-term profit expectation of 11 per cent of the bonus potential. The profit expectation can be seen as a guideline for how ATP is expected to perform in a year where there is an average development in the financial markets.

ATP Livslang Pension (Lifelong Pension)

Pension contributions paid to ATP are divided into guarantee contributions and bonus contributions, which in 2024 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 that are invested to increase members' pensions with bonuses and protect against unforeseen expenses. The guarantee contribution is guaranteed in relation to life expectancy. From 2022, the guarantee contribution is split into two parts for members who have more than 15 years to go before reaching retirement age. 75 per cent of the guarantee contribution (corresponding to 60 per cent of the total deposit) is invested with low risk (the interest contribution) and 25 per cent (the market contribution, corresponding to 20 per cent of the total deposit) is invested with a higher risk to get a higher return. When a member has 15 years to go before reaching retirement age, ATP gradually reverts to investing 80 per cent of the member's contributions at low risk and the remaining 20 per cent to generate returns to increase pensions.

ATP's total investments are divided into two independent areas called Hedging and Investment.

Hedging includes three portfolios: Interest Hedging Portfolio, Supplementary Hedging Portfolio and Life annuity with market exposure. The objective of the hedging portfolio is to safeguard ATP's ability, at all times, to deliver on the guarantees issued. The portfolio consists of bonds and interest rate swaps to hedge the guaranteed pensions. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates in line with the guaranteed pension benefits without spread when interest rates change. The Supplemental Hedging Portfolio adds long-term market risk to the hedging in the form of riskier assets to strengthen the ability to increase the real value of pensions over time. Contributions to life annuity with market exposure are invested in the market return portfolio.

By investing part of the contributions with a higher risk profile, it is expected that higher returns and thus higher pensions will be generated over time.

The funds pertaining to the bonus potential are invested in the investment portfolio in such a way that an appropriate balance is maintained between having the opportunity to add bonuses to the pensions and limiting the risk of the bonus potential being lost due to negative returns. This weighing of expected returns against the risk of loss is a core part of ATP's business model and risk management.

ATP, as a pension and investment company, results
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 Insurance Service, Hedging and Investment.

The result of Insurance Service comprises insurance income, pensions paid out, investment activity expenses, hedging and administration, change in risk adjustment and other changes.

The result of Hedging includes the result of Interest rate hedging, the result of Supplementary hedging and the result of Life annuity with market exposure.

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

The result for ATP Livslang Pension (Lifelong Pension), which is the sum of the results of the three reporting areas Insurance Service, Hedging and Investment, amounted to DKK -1.9bn in 2024. The result is transferred to ATP's bonus potential, which totalled DKK 104.8bn at year-end.

ATP's Supervisory Board decides each year on whether to assign a bonus in the form of a percentage increase in the pensions already accrued. The general guidelines for the distribution of bonuses are set out in the ATP Bonus Policy, adopted by ATP's Supervisory Board. Based on these guidelines, ATP's Supervisory Board in 2024 decided not to distribute a bonus.

The update of life expectancy figures in 2024 resulted in an increase in the bonus potential of DKK 1.6bn. The transfer reflects an adjustment of life expectancy projections as a result of the development in actual life expectancy in the past year.

Changes to provisions due to life expectancy updates or allocation of bonuses will impact future payments, and will therefore not appear in the income statement, but will instead be items between the bonus potential and the pension liabilities.

B.2. RESULT OF INSURANCE SERVICE

The result of insurance service is measured as the difference between insurance income and expenses for insurance service.

Insurance income consists of the expected run-off of pension benefits and expenses that were included in the pension provisions at the beginning of the reporting period. Insurance income also includes discharge of risk adjustment. Risk adjustment is an expression of the funds that ATP must reserve to assume non-financial risks. Contribution incomes are not recognised in the income statement, but they increase the size of the provisions on the statement of financial position.

Insurance service expenses are the actual payments, costs and change in risk adjustment during the period. The difference between the expected and actual payments, referred to as 'other changes', is also included in insurance service expenses, and results in the insurance service result being measured as 0.

Benefit payments totalled DKK 19.5bn in 2024 and continue to rise as the number of members receiving pension payments is still increasing. The expenses amounted to DKK 0.8bn, which is a decrease compared to 2023.

At year end 2024, 1,073,000 pensioners received ATP Livslang Pension (Lifelong Pension), and approximately 35

Table B.1 Result of Insurance Service

DKK million	2024	2023
Insurance income	20,757	19,498
Pensions paid out	(19,517)	(18,408)
Investment and hedging expenses	(817)	(703)
Administration activity expenses	(208)	(214)
Change in risk adjustment	(47)	(53)
Other changes	(168)	(120)
Result of insurance service	**0**	**0**

per cent of the Danish old-age pensioners have no other pension income other than ATP and the state pension Contribution payments were DKK 13.7bn in 2024, which is slightly higher than in 2023.

In connection with the interim financial statements, ATP adjusted its long-term life expectancy forecast. This resulted in an increase of DKK 1.6bn in the bonus potential. Since 2018, ATP has made provisions of DKK 3.6bn for longer life expectancy. The value of the pension obligations was DKK 574.5bn at the end of 2024. The value of the unallocated funds was DKK 143.5bn, of which long-term supplementary provisions totalled DKK 38.7bn and the bonus potential totalled DKK 104.8bn. At the end of 2024, the bonus capacity was 17.1 per cent, which is on a level with the bonus capacity at the end of 2023.

B.3. HEDGING AND INVESTMENT ACTIVITY RESULTS

The total hedging and investment activity results were DKK -1.9 bn in 2024, compared to DKK 6.9bn in 2023, as indicated in Table B.2.

Table B.2 Investment and hedging activity results

DKK million	2024	2023
Hedging activity results	(1,746)	2,298
Investment activity results	(169)	4,640
Investment and hedging activity results	**(1,915)**	**6,938**

Hedging activity results

Hedging activity results are shown in table B.3.

Chart B.3 Hedging activity results

DKK million	2024	2023
Change due to interest and maturity reduction	(14,596)	(33,348)
Return on Interest Hedging portfolio	15,148	42,066
Tax on pension savings returns	(2,298)	(6,421)
Result of interest rate hedging	**(1,746)**	**2,298**
Return on supplementary hedging portfolio	(152)	736
Return on LSP[1]	198	(625)
Tax on pension savings returns	(46)	(110)
Result of supplementary hedging	**0**	**0**
Return on market return portfolio	89	249
Interest on life annuity with market exposure[2]	(72)	(206)
Tax on pension savings returns	(17)	(43)
Result of life annuity with market exposure	**0**	**0**
Hedging activity results	**(1,746)**	**2,298**

[1] Long-term supplementary provisions
[2] Life annuity with market exposure

Hedging includes Interest rate hedging, Supplementary hedging and Life annuity with market exposure. The interest rate hedging portfolio consists of bonds and interest rate swaps to hedge the guaranteed benefits calculated without spread. The interest rate swaps in the interest hedging portfolio do not tie up liquidity to the same extent that bonds do, and the funds that are not tied up in the Interest Hedging portfolio can be lent for investments in the other portfolios.

The value of the guaranteed pensions increased by DKK 14.6bn in 2023 as a result of interest rate changes and maturity shortening. Correspondingly, the interest hedging portfolio generated positive returns (after tax) of DKK 12.8bn. The value of the Interest Hedging portfolio thus increased as the value of the pension guarantees fell and the interest hedging worked as intended. The total result of interest rate hedging was DKK -1.7bn.

In 2024, the Supplementary Hedging Portfolio generated a return of DKK -152 million as a result of the general market development. The return on the Supplementary Hedging Portfolio after tax is deposited in the long-term supplementary provision. Over time, the return from the Supplementary Hedging Portfolio is expected to form the basis for transfers to the bonus potential and thus contribute to increasing the real value of pensions.

Contributions to life annuity with market exposure are invested in the market return portfolio. In 2024, the portfolio had a return of DKK 89 million. At the end of the year, the provision for Life annuity with market exposure totalled DKK 5.1 bn.

Investment activity results

In 2024, the investment portfolio generated a return before tax of DKK -59 million, equivalent to a rate of return of -0.6 per cent relative to the bonus potential. The result from Investment is shown in table B.4 and the composition of the return on investment is shown in figure B.4.

Table B.4 Result of Investment

DKK million	2024	2023
Investment return	(59)	5,718
Tax on pension savings returns and income tax	(110)	(1,078)
Investment activity results	**(169)**	**4,640**

In 2024, the financial markets were characterised by increases in global equity markets and rising interest rates on long-term bonds. The largest positive contribution to returns came from listed international equities, while the largest negative contribution came from investments in government and mortgage bonds.

Market risks necessary to generate returns are managed in the investment portfolio based on an upper framework for market risk and frameworks for risk diversification. The investment portfolio follows a risk-based investment approach, the focus of which is on risk rather than on the amount of DKK invested. 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 2024 was DKK 220.7bn.

Fact box B.1 ATP’s interest rate curve for valuing the guaranteed benefits

The discounting factors that are used to measure the value of the guaranteed benefits are calculated based on an underlying interest curve. From and including 2023, ATP’s yield curve is adjusted by taking into account the illiquidity of the liabilities, and by an adjustment of how the yield curve is specified in the long term. The adjustment of the yield curve results partly in liabilities with a maturity beyond 30 years using a forward interest rate of 3 per cent to calculate the risk-free yield curve, and partly in the risk-free yield curve being supplemented with an illiquidity range that reflects the illiquidity of the liabilities.

According to the "Decree on Reporting and Publication of Information for labour market supplementary Pensions", ATP must disclose any investments in securitisation[1]. 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

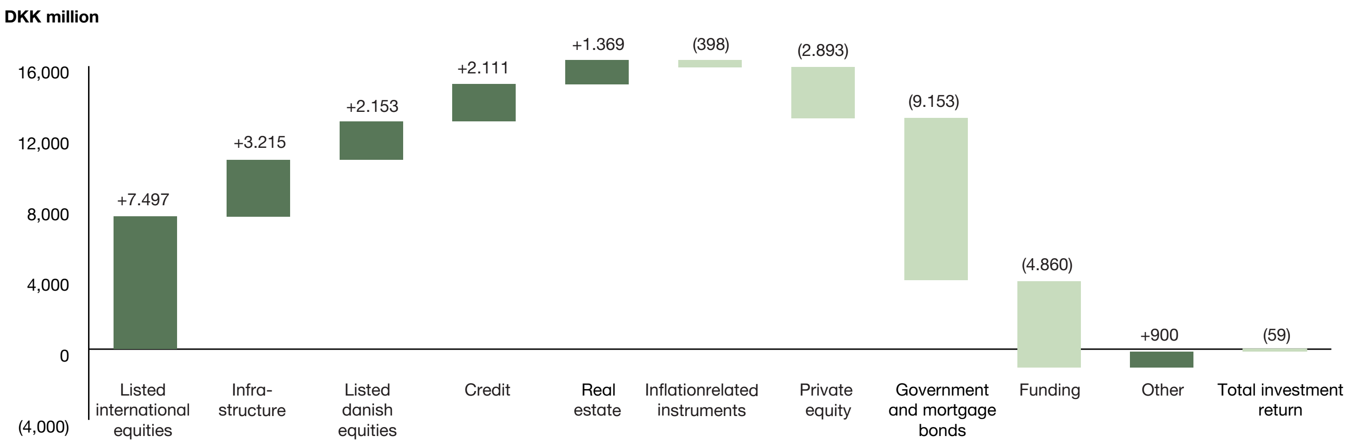
ATP is not engaged in other activities in its capacity of pension provider.

B.5. ADDITIONAL INFORMATION

In the autumn of 2023, the valuation process for illiquid investments was adjusted as a follow-up to the order received

1. 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.

Chart B.4 Composition of investment return for 2024



from the Danish Financial Supervisory Authority in July 2023 concerning ongoing valuation. The adjustment of the valuation process includes lower limits for when to initiate an assessment of the need for extraordinary valuations of the illiquid assets, and the process leading to extraordinary adjustments has also been adjusted. The extraordinary value adjustments are based on the development in the relevant liquidity indices, depending on the risk profile, which is assessed to reflect the underlying illiquid investments. In a letter dated 22 March 2024, the Danish Financial Supervisory Authority stated that it has taken note of ATP's follow-up on the completed inspection. The Financial Supervisory Authority inspection is complete and there are no outstanding issues.

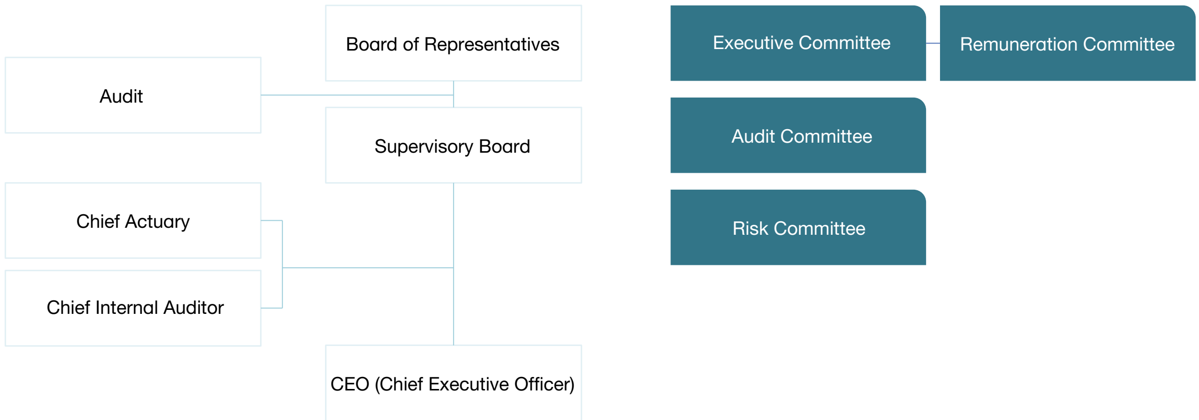
Box B.2 ATP liquidity management

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 direct liquidity risk. There is therefore excess liquidity available for the risk-taking portfolios. However, this excess liquidity is not fully used by the risk-taking portfolios. 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 result. The investments are made taking into account that ATP must at all times have sufficient liquidity to honour future payment claims. The development of ATP's liquidity depends primarily on the following factors:

- ATP pays pensions and receives contributions from members.
- ATP incurs expense 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.

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 of the Supervisory Board 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

Figure C.2 ATP's management and associated committee

and provisions, which includes the basis for calculating and valuing ATP's pensions.

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. As a general rule, the Executive Committee holds seven ordinary meetings per year.

The Executive Committee prepares the supervisory board's decisions and has the power, in selected areas, to make decisions as authorised by 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 presentations to the Supervisory Board and Board of representatives for decisions on remuneration, including pay policy and guidelines for incentive programmes. Following delegation from the Supervisory Board, the Remuneration Committee determines the remuneration of the Group Management, with the exception of 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. As a general rule, 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 contribute to ensuring the best possible basis for the Supervisory Board's risk and solvency assessment of ATP (ORSA). As part of this work, the Committee discusses risk identification, risk appetite, quantification, governance and organisation, and risk and solvency assessment prior to Supervisory Board meetings. In addition, the committee conducts pre-processing of investment strategy, risk policy and reporting on operational risk, including information security. The Risk Committee convenes a minimum of four times a year.

The Supervisory Board appoints and dismisses the Group Management and 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

Figure C.3 The Group management team

Chief Executive Officer

Martin Præstegaard

Responsible for the day-to-day management of ATP in accordance with the guidelines issued by the Supervisory Board and other duties incumbent on the CEO under law. Also responsible for Group Management, Group Secretariat and Group Communication.

Chief Financial Officer

Pernille Vastrup

Responsible for Corporate Functions, including HR, Group Legal & Data Protection, Group Finance & Governance, Group Procurement and Business Support P&I and P&I Finance & Reporting in Pension & Investments. Also responsible for 2nd line Operational Risk Management, Compliance and Security.

Chief Investment Officer

Mikkel Svenstrup

Responsible for overall portfolio management. This involves investing in accordance with the strategy and guidelines set by the Supervisory Board, including the inclusion of sustainability factors in investments.

Executive Vice President for Pension and Risk Management, Chief Risk Officer

Jacob Lester

Responsible for 1st line risk management in the financially regulated part of ATP. Product manager for ATP Livslang Pension (Lifelong Pension), valuation of financial assets and instruments, risk management for AES and for Labour Market Insurance Claims Review (AESK) as an independent control unit. Has Group Management responsibility for tasks directly assigned to the risk management function, the Chief Actuary and the person responsible for the statutory actuarial function.

Executive Vice President of Pension & Business Insurance

Anne Kristine Axelsson

Responsible for member administration related to ATP Livslang Pension (Lifelong Pension), including payments and collection of contributions as well as administration of AES and a number of other schemes for external parties, including Seniorpension.

Executive Vice President of Udbetaling Danmark

Kristine Stenhuus

Responsible for ATP's administration of Udbetaling Danmark.

Executive Vice President of Digital Solutions. Chief Information and Technology Officer

Haktan Bulut

Responsible for technology, data and digitalisation across ATP.

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 Head of Internal Audit is employed by and 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 Executive Board by the other members of ATP's Group Management body. Figure C.3 shows the members of 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 from the CEO.

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 Group Management shall ensure on an ongoing basis that the necessary financial and human resources are available to fulfil the duties in their respective areas.

In addition to the Group Management, the CEO has set up management bodies in ATP, as specified in Figure 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 material strategic and principal-based risk management issues. The Committee is also responsible for ensuring the managerial handling of major and thematic risk management and valuation in ATP's Pension and Investment business. The Committee's primary focus is on overall investment risks and investment assets.
- **The Committee for Sustainability** is the decision-making body for ATP's work with sustainability in investments, including stewardship, climate and the coordination of voting on international equities' general meetings.

- **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.

Forums have also been established in several specific areas where decisions 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. The reporting to Group Management covers the most important 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, in addition to the CEO, include those responsible for the statutory key functions, i.e. the risk management function, compliance function, internal audit function and actuarial function, as well as members of Group Management who are part of the actual management of ATP in its capacity as a pension and investment company. At year-end 2024, ATP had a total of nine key persons, as the Chief Risk Officer is both a member of Group Management and has been appointed as the officer responsible for the statutory risk management function. ATP determined that no additional key functions were needed in 2024.

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 is employed by and reports to the Supervisory Board.

Job descriptions have been developed 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 manager reports annually to the CEO on the risk management of ATP. The report is also received by the Supervisory Board for information, 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 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. Figure C.4 shows the key persons who are responsible at year-end 2024 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 2024

As of 1 January 2024, Jacob Lester took over the role of Executive Vice President for Pension and Risk Management, Chief Risk Officer, and was appointed as the key person responsible for the risk management function at ATP. Jacob Lester also joined the Group Management team. As a result, at the end of 2024, the Group Management team consists of 7 people, 6 of whom are considered key persons for ATP. The composition of the Group Management at the end of 2024 is shown in Figure C.3.

ATP's Remuneration Policy

In accordance with the Executive Order on Remuneration for ATP and other organisations, ATP is subject to a number

Figure C.4 Responsible for the four statutory key functions

Risk management function Responsible key person: Jacob Lester, Executive Vice President, Pension and Risk Management, Chief Risk Officer Responsibility: To have complete overview of ATP's risks and assist the CEO in ensuring and assessing the effectiveness of the risk management system.	**Compliancefunktion** Responsible key person: Tanja Ulevik Vestergaard, Head of Operational Risk Management, Compliance & Security. Responsibility: Assessing and verifying whether ATP has effective methods for detecting and minimising risk of non-compliance with applicable legislation, market standards and internal rules.
Intern auditfunktion Responsible key person: Per Graabæk Ventzel, Chief Auditor Responsibility: Conducting audits in accordance with the established audit plan and assessing the internal control system.	**Actuarial function** Responsible key person: Camilla Fredsgaard Larsen, Chief Actuary Responsibility: Determining pension provisions and ensuring that the underlying assumptions and methods are appropriate.

of rules on remuneration and disclosure requirements, including limits 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.

Where ATP utilises variable remuneration, it is used as an active tool that supports business development by focusing on performance management and encourages value-creating behaviour, including sound, effective risk management that does not encourage excessive risk-taking, including with regard to sustainability risks.

Meanwhile, variable remuneration 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, 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 Group Management, the Chief Actuary and Chief Auditor and other key function holders are remunerated with a fixed salary and certain benefits as well as, if relevant, one-off payments. A pension contribution is paid as part of the fixed remuneration. Other forms of variable pay are not included.

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 remuneration, 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 Sustainability in 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 jointly determine which portfolio managers are covered by the incentive programme, the minimum investment results that ATP must achieve before bonuses begin to be accrued, and the weighting of the individual programme 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 2024, a total of 32 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.

As of 1 July 2023, severance pay is regulated in the ATP Act, and it is now explicitly stated that allowance exceeding the recipient's total remuneration in the last two financial years, including pension contributions, must be disclosed and justified. Among other things, rules have also been added regarding payment, withholding and, if relevant, repayment.

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. The amendment to the ATP Act on 1 July 2023 clarified the Danish Financial Supervisory Authority's practice for approval and the possibility of conditional decisions in special circumstances. 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.

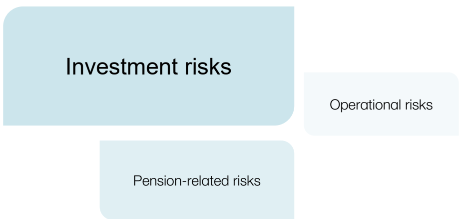
The Supervisory Board assesses on an ongoing basis whether its members collectively possess the necessary knowledge and experience of ATP's risks to ensure sound operations of ATP's activities. Based on the Supervisory Board's annual self-assessment, an evaluation is made of the need for relevant competence 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 companies, including in the pension, insurance, mortgage and banking sectors.

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 policies, guidelines, 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 help to provide awareness of risks that need 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 to regulate the general principles for the organisation of ATP's internal control system.

The general management team, consisting of the Supervisory Board and the Group Management, constitutes a significant part of the risk management system through its determination of the desired risk profile, risk management strategy and delegation to other parts of the Administration, and by determining the level of associated reporting that is required. A corresponding delegation with related reporting is 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 Executive Vice President for Pension and Risk Management, Chief Risk Officer, is responsible for the first-line risk management of the investment, pension and operational risks associated with the financially regulated part of the ATP Group. In addition, the Executive Vice President is product manager for ATP Livslang Pension (Lifelong Pension).

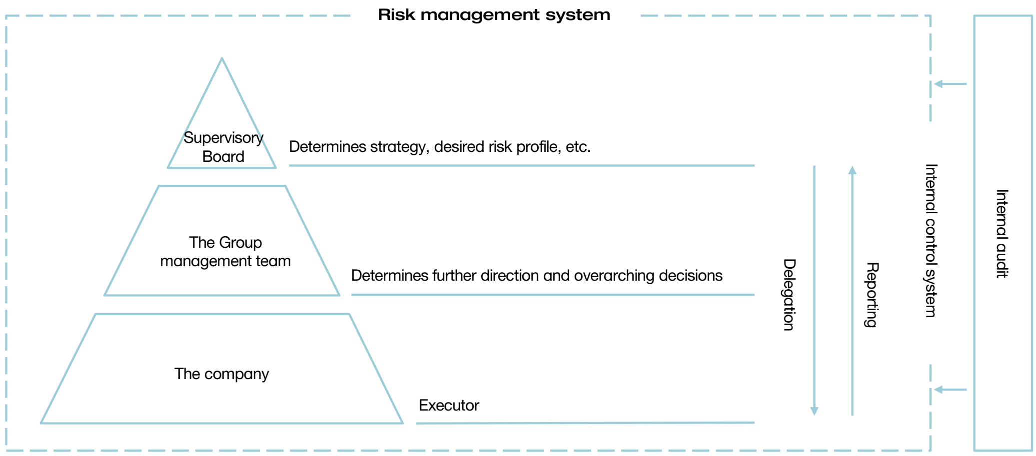
The Executive Vice President for Pension and Risk Management, Chief Risk Officer has also been appointed as a key person for the risk management function (second line risk management). In this capacity, the Executive Vice President is responsible for having an overall overview of ATP's risks and must assist the CEO in ensuring and assessing the effectiveness of the risk management system, cf. Figure C.4. Several units share the responsibilities of the Risk Management function in the Pensions & Investments Business together with the cross-functional Operational Risk Management, Compliance and Security unit (information security). The risk management 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 Supervisory Board has established a risk profile, which states that ATP must prioritise a high degree of security in pensions. The total risks must be aligned with the business model decided by the Supervisory Board and the ultimate loss-absorbing provisions consisting of the bonus potential. The Supervisory Board specifies the overall risk profile by establishing an overall risk budget and a number of supplementary indicative investment frameworks.

ATP's total risk includes three risk areas: 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

Figure C.6 Risk management system



risks. Market risks necessary to generate returns are taken in the three risk-taking portfolios, i.e. in the investment portfolio, in the market return portfolio and in the supplementary hedging portfolio, and are managed on the basis of a given risk budget and risk diversification framework. Market risks associated with the guaranteed benefits are managed in the interest rate hedging portfolio to ensure that the guaranteed benefits are 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 integrates sustainability factors into its investments.

- **Pension-related risks**
  Pension-related risks follow directly from the structure of ATP's pension product, including the lifelong guarantees given. ATP has a significant exposure to changes in life expectancy, as the value of guaranteed pensions depends to a large extent on the life expectancies of its members. Increased life expectancy mean that ATP must make larger provisions to cover the guaranteed benefits, as pension payments must be made for longer periods. ATP has chosen not to hedge its life expectancy risk, and losses in the event of increased life expectancy must therefore be covered by the bonus potential. ATP follows life expectancy statistics closely, based on an in-house developed life expectancy model.

- **Operational risks**
  Operational risks arise from all activities in ATP. Operational risks are risks resulting from inappropriate or inadequate internal procedures, human and system-related errors or as a result of external events, including legal risks. The operational risks cover potential financial, reputational, personal data or compliance losses/gains. Operational risks cannot be avoided entirely, but ATP aims to limit the risks while balancing consequences and probabilities on the one hand and expenses incurred from limiting the risks on the other hand. The Supervisory Board has specified that compliance risk must be avoided as far as possible.

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

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.

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 and Investment 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 sustainability and stewardship in investments at meetings of the Sustainability Committee and a quarterly 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.

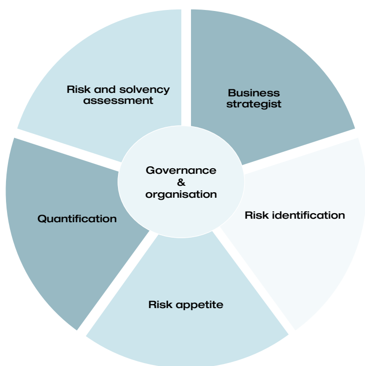
Managers and employees of ATP's Pensions and Investments (pensions and investments activities of ATP excluding subsidiaries) have access to overarching and detailed information on ATP's risks and financial position via the internal portal, which is updated and checked daily. The information is revised 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's bonus potential 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. ATP's risk and solvency assessment is therefore based on a calculation of the overall risk using a proprietary risk model, supplemented with other risk assessments 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 solvency is assessed by comparing the calculated risks with ATP's undistributed funds, primarily the 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 o frisk 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 and solvency 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 ORSA report is prepared in a dialogue with the Risk Committee, in which a special focus area 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 an 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 through continuous reporting. On this basis, the management initiates the necessary mitigating 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 should be 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 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 Chief Financial Officer (CFO), 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 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 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 is carried out by the responsible key person and by employees in ATP's actuarial department. 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 the employees with in it 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 consider 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. With the entry into force of the DORA Regulation in January 2025, the general outsourcing rules in the IT area will be changed, and ATP is in dialogue with the Danish Financial Supervisory Authority about necessary reflections of this in the legal basis for 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 can be 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 Reports are regularly submitted to the Supervisory Board about this, including in relation to 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 The Supervisory Board reviews the outsourcing policy once a year.

ATP has established business procedures that ensure follow-up on the benefits provided by the outsourcing suppliers for critical or important agreements. 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) KMD plans to transfer ATP's contract to Aeven in H1 2025. ATP is participating in this process and expects a contract transfer in 2025.
- 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).
- Provision of cloud services (Azure and M365) (outsourced to Microsoft).
- Provision of private cloud infrastructure for operating SAP solutions (outsourced to SAP RISE)

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 risk and solvency assessment is therefore based on a calculation of the overall risk using a proprietary risk model, supplemented with other risk assessments 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 The statement is supplemented with other relevant risk calculations and analyses that are intended to provide a nuanced and detailed insight into the specific risks that ATP is exposed to. ATP's financial robustness is assessed by comparing the calculated risks with the undistributed funds, primarily the bonus potential. 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 as follows: first based on ATP's overall risks and budget and then based on each of the underlying risk categories.

Adaptations made to ATP's business model

Since 2022, Life annuity with market exposure has been part of the business model. This means that 20 per cent of the contribution for members with more than 15 years to go until reaching retirement age is invested in a special market return portfolio. A new hedging strategy was introduced in 2023. This is based on the existing interest hedging with the addition of long-term market risk to the hedging in the form of risky assets.

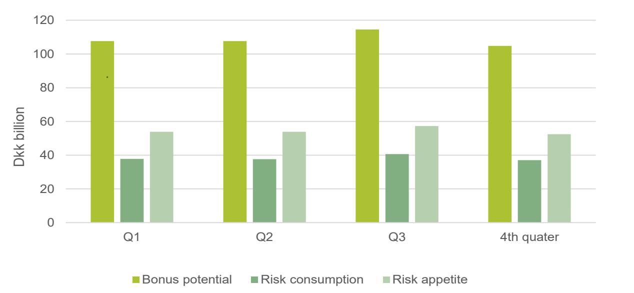
As a consequence of the illiquidity of ATP's liabilities, the value of the pension liabilities from 2023 is calculated taking into account the illiquidity therein. Therefore, an illiquidity range is included to the discount curve for the purpose of calculating the value of the guaranteed pensions. The funds released in this way will be allocated to a special buffer called Long-term Supplementary Provision (LSP), while also establishing a Supplementary Hedging Portfolio with long-term risk taking as part of the overall hedging. As part of the pension liabilities, ATP also records risk adjustments as a consequence of the international accounting standards. Risk adjustment is an expression of the funds that ATP needs to reserve to assume non-financial risks.

Adding market risk to the hedging portfolio via SHP (Supplementary Hedging Portfolio) means introducing a new risk that must ultimately be covered by BP in the event that the LSP is not large enough to absorb the risk from SHP. This risk is referred to as transfer risk and is recognised under risk consumption. Consequently, the risk must be included in the total risk budget. Finally, ATP uses a self-developed long-term risk target, "Under-hedging risk" (UHR), that focuses on the hedging portfolio's ability to meet the commitments at the time of payment.

ATP's overall risks

ATP calculates a daily risk consumption, which is ATP's quantitative measure of total risk on the bonus potential, which is the ultimate loss-absorbing buffer. The risk consumption is measured by an ATP-developed risk model that calculates a total risk consumption based on the

Figure D.1 ATP's total risks in 2024 (end of quarter)



risks that are associated with ATP's business model. Risk consumption represents an average of the 1 per cent worst losses in the bonus potential within a 3-month period, and thus corresponds to the Expected Shortfall (ES) with an assurance level of 99 percent and a 3-month horizon. The risk consumption is a here-and-now stress without portfolio adjustment.

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 the bonus potential. However, at low levels of the bonus potential, one of the minimum risk budgets set by the Supervisory

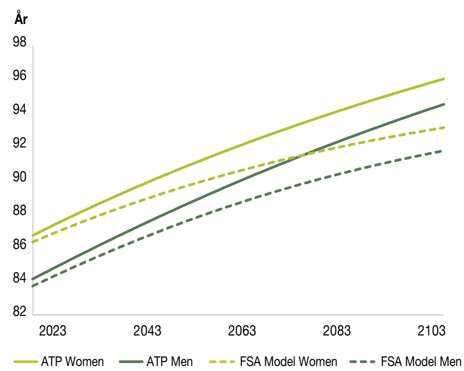
Board is accepted. The minimum risk budget for 2025 is set at DKK 20bn, which means that the Supervisory Board accepts a risk expenditure that is greater than 50 per cent of the bonus potential if the bonus potential is less than DKK 40bn. The minimum risk budget reflects the fact that ATP intends to retain a certain amount of illiquid assets as well as a smaller amount of liquid assets in adverse market scenarios where the bonus potential has been significantly reduced. Risk retention should ensure that the real value of the guaranteed pensions can be increased in the long run despite a significant reduction in the bonus potential and should be seen in the light of ATP's ability to act as a long-term investor. Projections of ATP's statement of financial position in ATP's internal projection model show that the probability of experiencing a bonus potential of less than DKK 40bn over a 10-year period is approximately 11 per cent, while the probability of experiencing a negative bonus potential corresponding for the same period is approximately 1 per cent. The same projections estimate that there is a 54 per cent probability that the guaranteed pensions' real value will be preserved at a minimum after 10 years. It should be noted in this context that the projections are sensitive to model assumptions and the current statement of financial position, in particular the expected inflation relative to the realised inflation. This sensitivity also means that the different probabilities will change as a result of updated model assumptions as well as changes in ATP statement of financial position over time.

The developments in risk consumption, risk budget and bonus potential in 2024 are shown in figure D.1. The bonus potential has been relatively stable throughout the year. The bonus potential increased from DKK 104.0bn by the end of 2023 to DKK 104.8bn by the end of 2024, which also covers the fact that life expectancy updates have increased the bonus potential by DKK 1.6bn. The utilisation of the risk budget rose fro 67.6 per cent at the end of 2023 to 70.7 per cent at the end of 2024.
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). As of the end of 2024, the pension risk was estimated at DKK 8.9bn. ATP pays out a monthly pension for as long as members live. Therefore, the development in life expectancy is the biggest pension risk that ATP has. 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 life expectancy risk, and the bonus potential 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. In the past 10 years, ATP has allocated DKK 18.2bn for 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 resulting from longer life expectancy reflect that ATP's members are expected to live longer and, therefore, to receive a larger overall pension payment.

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 being 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

Figure D.3 Market risks (end of quarter)

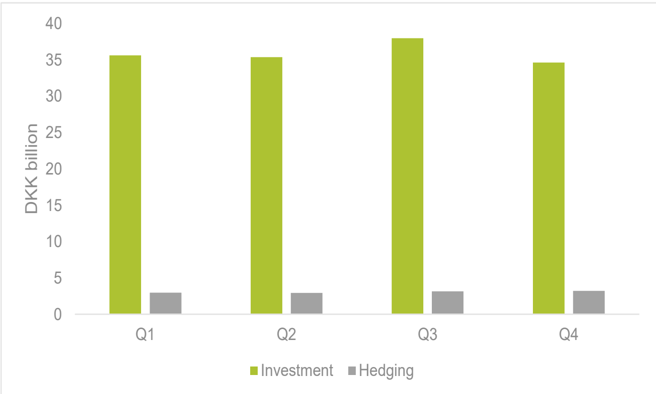
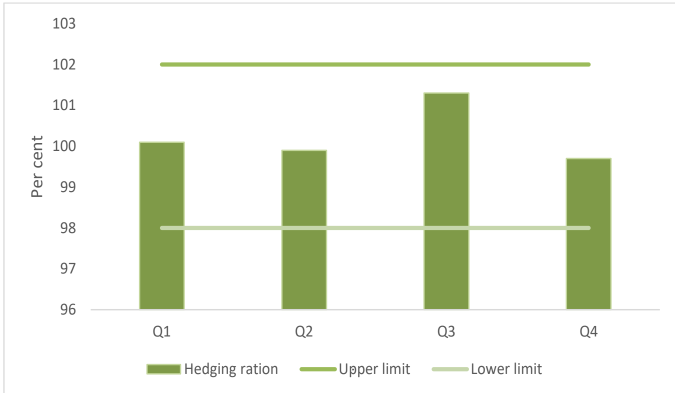


Figure D.4 Hedging ratio (end of quarter)



envisaged by the Danish Financial Supervisory Authority's (FSA) model. The Danish Financial Supervisory Authority's life expectancy projections 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 3.6 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 5.7 million members and partly on information concerning approximately 350 million inhabitants in 18 OECD countries. The model developed in ATP is based on an assumption that the development of life expectancy in Denmark follows the same pattern as the 18 selected OECD countries, and that the backlog that Denmark has in relation to the selected countries will be caught up over time. Data from the past 50 years show that the countries have generally undergone the same development in terms of longevity, although it differs between countries when and how quickly the improvements take place. ATP incorporates international data to provide a stable forecast for future improvements in life expectancy.

D.2. MARKET RISK

Market risks are a reflection of risks related to market value changes of assets or liabilities as a result of changes in capital markets. Market risks are managed based on risk models with close risk monitoring and detailed risk frameworks. Market risks are the risk category, which contributes the highest risk in the calculation measure of ATP's overall risks (risk consumption). As per the end of 2024, the market risks were calculated at DKK 35.9bn after tax in ATP's proprietary model.

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, but the bonus potential will be virtually unaffected as changes in the Interest Hedging portfolio and the value of the guaranteed benefits will largely offset each other. Market risks related to interest 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[3], which indicates the ability of the interest hedging portfolio to hedge the interest rate sensitivity of the guaranteed benefits, was 99.7 per cent at year-end 2024. As shown in Figure D.4, the hedging ratio was close to 100 per cent for most of the year. The tariff for the coming year, i.e. the pension entitlement obtained for the ATP contribution, is set at the beginning of October each year and is hedged immediately afterwards, which resulted in a fluctuation in the hedging ratio. 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

3 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 calculated without range.

must contain significant exposure to Danish and German government bonds and interest rate swaps denominated in Danish kroner and euros. At year-end 2024, the market value of bonds in the interest hedging portfolio was almost DKK 298bn. Danish and German government bonds constitute a large proportion of this portfolio, and ATP therefore has a significant exposure to the Danish and German governments. 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 Supplementary Hedging Portfolio and Market Return Portfolio

The long-term market risk added through the Supplementary Hedging Portfolio (SHP) in Hedging has its own dedicated loss-absorbing buffer in the form of Long-term Supplementary Provision (LSP). As long as the LSP is large enough to cover the market risk in SHP, this added risk will not affect the risk consumption. In the event of larger losses in the SHP, the LSP will be exhausted, meaning that additional losses in SHP could affect the bonus potential, as the bonus potential in such cases will have to transfer funds to LSP. This risk is referred to as transfer risk and is recognised in the risk consumption. The contribution that goes to Life annuity with market exposure is invested in the market return portfolio in Hedging. This portfolio is invested in assets that are expected to yield a higher return over time than the Interest Hedging portfolio, and thus contribute to higher pensions. The risk in the market return portfolio is adjusted to the provisions for life annuity with market exposure.

Market risks associated with the investment portfolio

ATP's market risks in relation to the bonus potential are mainly market risks related to the investment portfolio. The long-term 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 allowing for the increase of their value in real terms.

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. ATP splits the risk of each individual investment into four risk factors, which can be combined in appropriate ways to achieve an portfolio with the desired risk profile. The four fundamental risk factors are: '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

Table D.1 Market risk on factors at the end of 2024

	Expected Shortfall in DKK millon	Risk distribution in percent .
Equity factor	35,286	51
Interest rate factor	20,979	30
Inflation factor	9,021	12
Other factors	3,773	6

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 2024 is shown in table D.1 for ATP's total investment portfolio[4]. To ensure appropriate risk diversification, ATP's Supervisory Board has specified guidelines and lower and upper limits for the individual factors' share of the risk in the liquid and illiquid part 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 in the bonus potential 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.

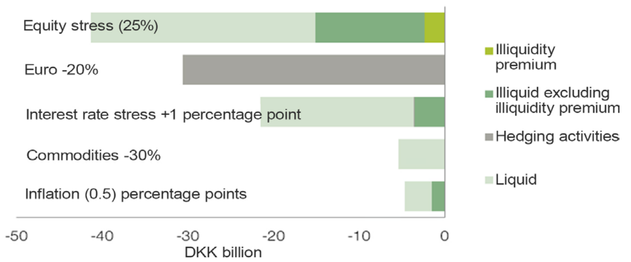
The figure shows that ATP has the largest loss in the individual equity stress with a drop in equity factor of 25 per cent, where the loss on bonus potential is DKK 41bn.

4 The investment portfolio, the market return portfolio and the supplementary hedging portfolio have different factor allocations via their individual allocation to the underlying portfolios.

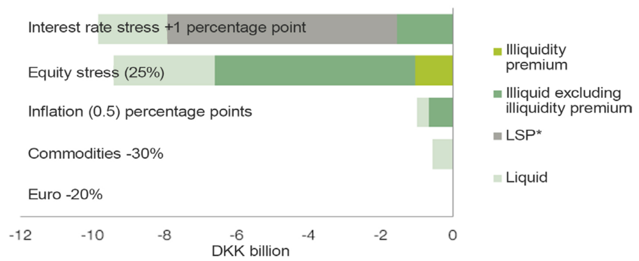
Table D.2 Counterparty exposures linked to ATP's ten largest counterparties(DKK million).

		Counterparty exposure			
	Rating	Bilateral OTC Derivatives	ETD and cleared OTC derivatives	Bank deposits	Total exposure
Counterparty 1	A+	2,549	778	1,758	5,085
Counterparty 1	AA-	0	1,949	3,029	4,977
Counterparty 2	AA-	3,998	0	0	3,998
Counterparty 3	A+	1,723	932	1,001	3,656
Counterparty 4	A+	2,217	592	0	2,809
Counterparty 5	A+	1,946	0	389	2,234
Counterparty 6	AA-	2,234	0	0	2,234
Counterparty 7	A+	2,082	49	0	2,130
Counterparty 8	A+	1,693	230	0	1,923
Counterparty 9	AA-	175	0	1,288	1,463
Counterparty 10	A+	40	0	1,389	1,429

Figure D.5 Market stress on bonus potential



Fiigure D.6 Market stress on LSP



The equity stress reflects both losses on equities and on other investments such as credit, real estate and infrastructure that are exposed to the equity factor in ATP's risk modelling. According to the individual stresses, the loss on the bonus potential seen separately would be DKK 22bn at an interest rate stress of 1 percentage point. The chart also shows that if the fixed rate policy is abandoned and the exchange rate of the euro falls by 20 per cent against the Danish krone, the bonus potential will have a loss of DKK 30bn 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. 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 Figure D.5 lead to significantly lower losses.

Figure D.6 shows the change in LSP in the individual stress for market risk factors.

Changes in LSP in stress scenarios may be due to losses in the Supplemental Hedging Portfolio or changes in LSP*. LSP* is the difference between the guaranteed benefits calculated without range and the guaranteed benefits calculated with range, and is sensitive to interest rate changes. The illiquidity range used in ATP is not stressed in the stress scenarios, as it is not deemed to be affected by transient market stress. Rate increases cause LSP* to drop and vice versa when there are declines in interest rates, and have a direct effect on LSP. The biggest change in LSP is in the interest rate stress scenario, as the rate increase of 1 percentage point will significantly reduce LSP*. All stress can be in LSP and therefore does not affect stress on the bonus potential, as there will be no transfer from the bonus potential to LSP.

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. Similarly, ATP may experience a loss as a result of the bankruptcy of one of the CCPs used in connection with centrally cleared derivatives. In both cases, the size of such a loss will depend on the risk exposure and market movements during the period.

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. If the legal entity does not have a rating, the lowest observed rating of the guarantor is used. As shown in Table D.2, ATP’s largest exposure to a counterparty is DKK 5.0bn. An exposure of this size could potentially result in a significant loss, but will only affect ATP’s solvency to a limited extent. 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, 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 0.5bn as of year-end 2024 after tax.

D.4. LIQUIDITY RISKS

Liquidity risks are risks associated with potential non-payment of payment demands or collateral. ATP’s liquidity risk management model provides a granular estimate of the payment flows that ATP will encounter in stressed markets. The model also provides an image of the cash provision of liquidity from the sale of assets and the provision of liquidity from bonds, if these are used as collateral or if bonds are "exchanged" for liquidity using the repo market, where bonds are lent in exchange for liquidity. The model takes into account differences in the liquidity value of assets, i.e. how fast and how much liquidity can be raised 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 conservatively.

The model must ensure that ATP is able to fulfil its contractual obligations at all times, either by providing liquidity or collateral. This is done by ensuring that liquidity provision and liquidity needs both in the short term (10 days) and longer term (66 days) are appropriate in relation to each other.

Table D.3 shows ATP’s total liquidity provision and cash needs over 10 business days, and ATP’s total liquidity provision and needs for the horizon of 66 business days. This reflects the fact that liquidity management has a particular focus on being able to provide liquidity in cash quickly enough in the short term, while the focus over longer periods is more on ensuring sufficient liquidity to withstand sustained market stress.

Table D.3 Liquidity risks at year-end 2024 (DKK bn)

	10 days	66 days
Total liquidity generation	110	288
Total liquidity requirement	9	83

D.5. OPERATIONAL RISKS

Operational risks arise from all activities in ATP. Operational risks are risks resulting from inappropriate or inadequate internal procedures, human and system-related errors or as a result of external events, including legal risks. The operational risks cover potential financial, reputational, personal data or compliance losses/gains. 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 2024, 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).

In ATP's Risk Policy, the Supervisory Board has determined the desired risk profile for operational risks. The Supervisory Board accepts that operational risks cannot be completely avoided, but that they should be limited, taking into account a balance between consequence and probability on the one hand and expenses on the other. The Supervisory Board has decided that compliance risks must be avoided as far as possible. Assessments of risks related to the processing of personal data also includes the consequence from the perspective of the registered person.

The management of operational risks in ATP is based, among other things, on risk assessments aimed at identifying, measuring, monitoring, managing and reporting the operational risks to which ATP is exposed.

Operational risks are identified both on the basis of registered operational events and analyses of relevant processes. For the identified operational risks, the need for measures to reduce the probability of events and/or their consequences is assessed.

Operational incidents are systematically collected and categorised according to subject matter and substance, based on the financial, reputational, personal data or compliance impacts, and then included in a comprehensive inventory. Documenting aims to provide an overall view of the incidents affecting ATP, address any gaps in the control environment, and learn from incidents so that we can proactively improve risk management.

Operational risks are measured on the ATP risk scales for probability and consequence. Operational risks are held up against the specified risk tolerance. If the risk is outside the risk tolerance level, initiatives must be planned to bring the risk within the risk tolerance level.

ATP has identified the risks associated with the management of ATP Livslang Pension (Lifelong Pension) that are estimated to have the greatest consequences. For 2024, these include: IT risks, model risks, compliance risks, process risks, personal data risks, legal risks and reputational risks.

Based on the risk assessments and the operational events, the current risk picture of ATP is reported to the Group management and the Supervisory Board. The purpose of the reporting is to ensure that there is an adequate overview and effective management of the major operational risks in ATP. In the event of significant operational incidents, the Supervisory Board receives information on this at the first meeting of the Supervisory Board.

ATP information security and cyber security

The risk relates to the possible compromise of confidentiality, integrity and availability of information. There is a regular external assessment of ATP's maturity in terms of information security and cybersecurity, as well as continuous assessment of compliance with the information security policy.

D.6. OTHER SIGNIFICANT RISKS

ATP has no other significant risks

D.7. OTHER 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 ATP's total investments are divided into two separate areas called Hedging and Investment, see Chapter B., Business and Results.

In relation to the risk diversification of the four fundamental risk factors in the investment portfolio as set out in Section D.2 above, Figure D.7 illustrates the relationship between the four fundamental risk factors and a number of 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 for 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.

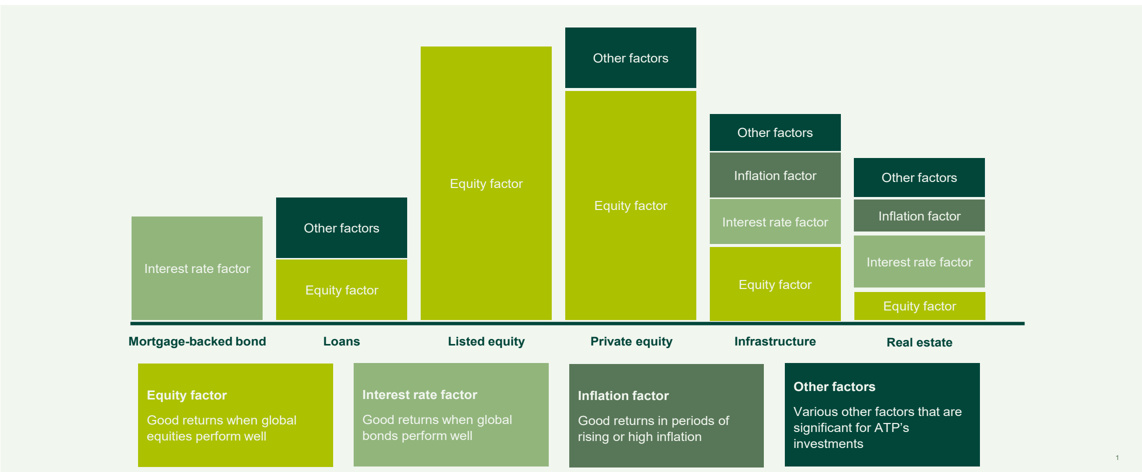
This is essential as illiquid assets are often characterised by extensive contractual documentation and complex investment structures that require review and assessment prior to investment. The necessity for a thorough assessment is further accentuated by the typically long investment horizon of illiquid 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 Relationship between selected traditional assets and the four risk factors



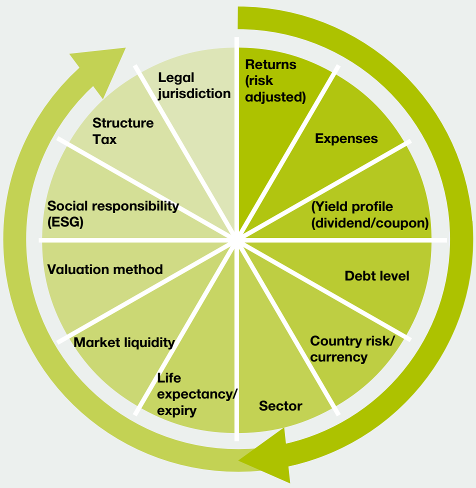
Fact box D.1 Specific risks of illiquid assets

Legal and regulatory risks
The illiquid assets are typically characterised by extensive contract documentation, where the terms are determined during a negotiation and thus depend on the negotiating position of the parties. The assets may also be characterised by a complex investment structure and investment partners from several countries. 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, which 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. This limits, for example, the possibility of reacting if investments develop negatively. 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 address this. 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. It is therefore important to ensure that the total illiquid assets are well diversified. ATP has a Supervisory Board-established framework for illiquid investments and allocation to types of illiquid assets in addition to special monitoring of financial, geographical, structural and duration portfolio parameters, as illustrated in Figure D.8.

Chart D.8



Managerial risks
Some investments 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 asset manager and ATP is essential. The asset manager is responsible for selecting the 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 Illiquid assets are exposed to specific risks that are relevant to how their value develops. Before investing, these risks are identified and evaluated and sensitivity analyses are performed to assess the impact of specific risk situations on the value of the asset, and the assets are evaluated in relation to the ATP guidelines. The importance of the assessment 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. The asset-specific risks may also develop or arise after the time of investment. Each investment team that invests in non-liquid assets has a documented ongoing asset management process designed to identify new or changed risks and establish a plan for handling them. Managing the risks associated with individual investments can be resource- and expertise-intensive. For this reason, investment in certain types of assets or geographical areas may sometimes take place through a trustee or in collaboration with a strong investment partner.