The ATP Group

2020
The UN Sustainable Development Goals

Part of ATP's responsibility

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ATP's work with the Sustainable Development Goals

As a long-term investor, ATP has an inherent interest in a sustainable development of the global economy. That is why we incorporate the SDGs into our investment processes.

Foundation

ATP fully supports the UN's 17 Sustainable Development Goals. As a long-term investor whose purpose is to provide good pensions to our members, ATP has a strong interest in a sustainable social and environmental development of the planet and the economy. If the global economy does not develop sustainably and if the international community fails to achieve its goals, there is a risk of rising turbulence , conflicts and increased global warming, and therefore also more uncertain conditions for growth and future returns in the investment portfolio. We therefore have a responsibility and inherent interest in using our investment processes to support companies' long-term value creation and thereby contribute to sustainable development and growth.

We work with stewardship and ESG integration to strengthen the focus on long-term value creation among the companies in our portfolio, influence them to minimise any negative social or global impact they may have and work towards more sustainable business development. The 17 SDGs set a very ambitious agenda for global development towards 2030. Achieving the goals requires the commitment of a wide range of stakeholders in society, including the corporate sector and investors.

Processes

Our goal is for our investments to make a positive contribution to the achievement of the SDGs, but we are careful not to take credit for the potential impact of our investments, as the factors contributing to the societal impact of an investment are often complex.

According to the Danish Business Authority's Guide to Responsible Investment, compliance with the OECD Guidelines for Multinational Enterprises helps move the world closer towards achieving the SDGs. ATP complies with the OECD Guidelines for Multinational Enterprises through our fact-finding, thematic engagement and ESG due diligence. In 2020, we have focused in particular on identifying which SDGs are most relevant to the value creation of companies in our portfolio.

Activities

In addition to ongoing efforts related to the SDGs in the form of fact-finding, thematic engagement and ESG due diligence, ATP has continued its work on analysing the SDG reporting of Danish companies in particular, with a particular focus in 2020 on how the SDG's are linked to the companies' value creation.

We have also continued to focus on plastic, which relates to multiple SDGs. Finally, we have examined financing needs in relation to achieving the SDGs, where especially the developing countries face great challenges.

#1 ESG is an investment belief

#2 We believe in effective ESG integration via customised processes

#3 Actual integration requires internal ESG competences

#4 We believe in stewardship - within limits

In 2020, ATP:

examined the links between companies' value creation and SDGs, based on a new dataset from SASB. We found that

- SDG 8, 9 and 12 are linked to the value creation of most companies within ATP's liquid portfolio
- Danish companies primarily report on SDG 8, 12 and 13
- 30 SDG indicators within nine of the SDGs can be linked to plastic and companies' value creation.

17 goals for the whole world

In 2015, heads of government from the UN's 192 member countries agreed on 17 ambitious global goals - and 169 targets - for sustainable global development. The SDGs establish a framework and direction for solving the world's biggest problems by 2030. Among other things, the SDGs focus on eliminating poverty, hunger and inequality, ensuring sustainable ecosystems (including biodiversity on land and in the oceans) and limiting anthropogenic climate change and environmental pollution.

ATP fully supports the UN's 17 Sustainable Development Goals. As a long-term investor whose purpose is to provide good pensions to its members, ATP has a strong interest in a sustainable social and environmental development of the planet and the economy. If the global economy does not develop sustainably and if the international community fails to achieve its goals, there is a risk of rising unrest, conflicts and increased global warming, and therefore also more uncertain conditions for growth and future returns.

Therefore, we have a responsibility and an inherent interest in using our investment processes to support the long-term value creation of companies and thereby contribute to sustainable development and growth.

We work with stewardship and ESG integration precisely to strengthen the focus on long-term value creation in the companies in our portfolio and, if relevant, influence them to minimise their negative footprint on communities and the world and adopt more sustainable business development processes.

With a view to better understanding how companies work with the SDGs, we decided this year to focus on the connection between companies' value creation and their SDG-related efforts. Is there a close connection between the SDGs the individual companies choose to focus on and the ESG-related focus areas that have been shown to impact their value creation? Is there any kind of system in terms of which SDGs that companies in general should focus on in relation to long-term value creation?

For companies, it may be relevant to focus on the SDGs that they are particularly exposed to as a result of their business model. It is natural to select the SDGs that are impacted by a given business or which it is creating solutions for.

We do not select certain goals and disregard others. As a global and diversified investor with exposure to many different industries and geographical regions, we believe that it is critical to have a holistic approach to our responsibility, covering the SDGs broadly across our work.

Over the course of 2020, we have continued to increase our focus on plastic, which is an issue that illustrates that the challenges that lie at the root of several of the SDGs are interlinked. It is rarely possible to isolate efforts relating to one SDG without having to take into account other SDGs.

Processes

The SDGs and value creation

ATP is a global investor that invests in both large and small companies within a wide range of industries. ATP has an impact on all 17 SDGs to a greater or lesser extent through those investments. ATP's ESG processes contribute in various ways to ensuring that we are contributing to the achievement of all 17 SDGs.

In 2020, we began to focus on improving our understanding on the extent to which each of the 17 SDGs are relevant to value creation in general of companies in ATP's portfolio. By increasing our knowledge in this area, we can focus our efforts and incorporate the SDGs into our ongoing dialogues with companies to a greater extent.

However, there are a number of challenges associated with setting sustainable development goals for various sectors. Some SDGs are more appropriate for private enterprises to address, e.g. the ones relating to Climate action and Affordable and clean energy, while the SDGs relating to Zero hunger and No poverty may be more challenging for companies to integrate into their business operations.

Our data comes from the organisation SASB, which has carried out a mapping of the financial impact of the SDGs on various sectors. Our analysis resulted in a number of interesting findings that give us an opportunity to view our portfolio from a new angle.

Even though climate change is rightfully a high priority among investors, it is SDG 8 - Decent work and economic growth - that is the most significant in relation to the value creation of companies across our illiquid portfolio. Specifically, it is sub-goal 8.4 on resource efficiency that is most often relevant.

That also makes a lot of sense, as this sub-goal is about decoupling economic growth from the consumption of resources. ATP is a long-term investor, and it is therefore important that the companies in which we invest are cognisant of the need to future-proof their business model for a world that will experience scarcity of some resources and a significant political focus to limit resource consumption.

In 2021, we will make use of the results of the analysis as input for our dialogues with our portfolio companies, thereby strengthening our work with the SDGs and value creation among ATP's investments.

WHICH SDGS ARE CLOSELY LINKED TO VALUE CREATION IN A GIVEN COMPANY?

The independent organisation SASB has a large number of industry-dependent ESG metrics that identify the ESG factors that are important to value creation in a given industry. In other words, there is a difference between which ESG factors are particularly important to, for example, a pharmaceutical company or a utility company.

SASB has examined 169 SDG indicators and linked their industry-specific ESG metrics to each of the indicators, allowing them to draw connections between the SDGs and companies' value creation.

RESPONSIBLE DUE DILIGENCE CONTRIBUTES TO THE SDGS

"Complying with the OECD's guidelines and the implementation of responsible due diligence processes contributes to both society and sustainable development in accordance with the UN's 17 SDGs and the Paris Agreement." Source: The Danish Business Authority's Guide for Responsible Investments.

Read more about how ATP conducts responsible due diligence in our reports on fact-finding and ESG in illiquid assets. [Find them at atp.dk]

THE IMPACT OF THE SDGS ON ATP'S LIQUID PORTFOLIO
ATP's portfolio has broad exposure to the SDGs according to SASB's report, but mainly SDG 8, 9 and 12.

Sustainable Development Goals	Per cent of ATP's liquid portfolio	No. companies	Sustainable Development Goals	Per cent of ATP's liquid portfolio	No. companies
8 DECENT WORK AND ECONOMIC GROWTH	99	1,235	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	97	1,192
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	86	1,114	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	71	883
3 GOOD HEALTH AND WELL-BEING	62	731	7 AFFORDABLE AND CLEAN ENERGY	59	793
1 NO POVERTY	58	725	10 REDUCED INEQUALITIES	55	644
6 CLEAN WATER AND SANITATION	49	628	13 CLIMATE ACTION	40	627
14 LIFE BELOW WATER	39	539	11 SUSTAINABLE CITIES AND COMMUNITIES	34	520
15 LIFE ON LAND	19	253	5 GENDER EQUALITY	17	183
2 ZERO HUNGER	12	149	17 PARTNERSHIPS FOR THE GOALS	7	92
4 QUALITY EDUCATION	0	2			

Developing countries need the most assistance with sustainable growth

The 17 SDGs apply to all countries - rich and poor. However, financing challenges are greater in developing countries than in developed countries such as Denmark.

> "Global SDG investment shows some progress but remains far from the target to meet the $2.5 trillion annual financing gap for developing countries."
>
> *Source: UNCTAD: World Investment Report 2020" page 181*

Even though we have seen a significant growth in investments in recent years (via SDG-related funds, for instance), the UN organisation UNCTAD has noted a trend where the majority of the capital in these funds are invested in SDG projects in developed countries. In other words: Countries that have the greatest investment needs are the same countries that investors are least interested in.

The risk, time and expenses associated with the development of investment projects in developing countries are often the reasons why private companies, developers and financial institutions (including ATP) refrain from major investment projects in developing countries.

ATP is trying in several ways to counteract this tendency to 'forget' about developing countries in relation to SDG investments:

In part via direct investments. For example, we are a co-investor in the Investment Fund for Developing Countries' (IFU) Danish SDG Investment Fund. IFU expects that the new fund will help mobilise additional capital for companies in developing countries, and the total investments are expected to amount to approximately DKK 30bn.

Due to the challenges associated with investment projects in developing countries, however, it is not realistically possible to meet investment needs solely through direct investments. If the world is to meet the massive investment needs in developing countries, we believe that collaboration between institutional investors and development banks is crucial. Our work with issuers of green bonds, and the issuers' work with transparency on specific projects as well as their impact, also plays a role in this context.

By contributing to creating a high level of credibility about the investors' money actually being used for their intended purpose, and by contributing to making the risks associated with such investments manageable, more investors can hopefully be enticed to contribute to project financing in developing countries. This includes investments in green bonds for projects in countries with the greatest capital requirements.

GREEN BONDS FOR DEVELOPING COUNTRIES

As part of ATP's focus on green bonds, we have invested approximately DKK 1.5bn in green bonds from the World Bank aimed at projects outside of Europe and North America. The World Bank has made considerable progress in its efforts to document the concrete projects that we and other investors have contributed to, as well as the positive impact the projects have had in relation to the SDGs. However, we believe the possibility should exist for individual investors to see which of the projects they have helped finance.

30,000 SUSTAINABLE HOMES IN MEXICO

On behalf of the Danish SDG Investment Fund, IFU has contributed 20 million USD to a capital increase in Vinte Viviendas Integrales. The capital increase has resulted in the construction of an additional 30,000 sustainable homes and integrated local areas in Mexico, aimed at low- and middle-income families that face a major housing shortage.

The number of new homes constructed in Mexico is declining, and approximately a third of the population lives in poor housing conditions.

Vinte is one of Mexico's biggest housing developers. The company has constructed nearly 50,000 new homes with integrated local communities over the past 18 years. Vinte builds sustainable homes with a focus on reducing the use of construction materials as well as water and energy consumption.

Additionally, Vinte is the first Mexico-based housing developer that has obtained EDGE certification from the World Bank.

IFU, which is Denmark's development financing institution, has provided 20 million USD to the capital increase. The investment was made on behalf of the Danish SDG Investment Fund, which is a public-private partnership between the Danish state and major Danish pension companies.

"Across all investments, our goal is to contribute to a green, just and inclusive economy. The investment in Vinte is a perfect match as the company will build sustainable communities with almost 30,000 new homes, public schools and primary care units for lower- and middle-income families in Mexico. We are pleased to contribute to this growth, raising the bar, and hope Vinte will be an inspiration to the industry and policymakers in Mexico and beyond," said Torben Huss, CEO of IFU.

Excerpt from IFU's website

ATP has helped finance the construction of sustainable homes in Mexico via the Danish SDG Investment Fund.

Danish companies operate with the SDGs in mind

In 2020, we at ATP continued our efforts to gain an overview of Danish companies' SDG-related efforts. This year, we have relied on the organisation Sustainability Accounting Standards Board's (SASB) analysis on how SDGs are linked to companies' value creation with a view to gaining a new perspective on how Danish companies work with the 17 SDGs.

Our analysis has focused on the companies on the C25 index, as we have investments in the vast majority of these companies. Additionally, due to the size of these companies, it is to be expected that they are among those that have made the most progress in working with the SDGs. The conclusions from our analysis show that there is reason to applaud the Danish companies, but also to highlight conditions that warrant questioning and where there may be potential for further development.

Only a single company in the C25 index does not report on its impact on the SDGs, while the remaining 24 publish reports on the SDGs to at least some extent.

The analysis revealed that these companies publish data on a number of SDGs that (according to SASB's methodology) are not actually crucial to the companies' value creation. The majority of the companies report on *Climate action* and *Gender equality*, despite the fact that SASB does not consider those SDGs to be of financial significance to those companies. Considering Denmark's role as a pioneer country in the field of climate change mitigation, it is unsurprising that Danish companies have embraced this cause as well. Similarly, Danish companies have been legally required to report on the gender composition of employees and board members for some time now, and it is accordingly not unusual for them to incorporate such reporting into the broader context of SDG 5.

9 companies report on SDG 4 *Quality education*, even though SASB does not rate this SDG as being of material importance to any of the companies in the C25 index.

There are a number of SDGs where there is a generally large overlap between relevance and choice of SDGs. *Responsible consumption and production* is assessed by SASB as being relevant to 19 companies in the C25 index, and 21 of them publish data on that SDG. There is a single company that does not report data on this SDG despite its relevance to their operations.

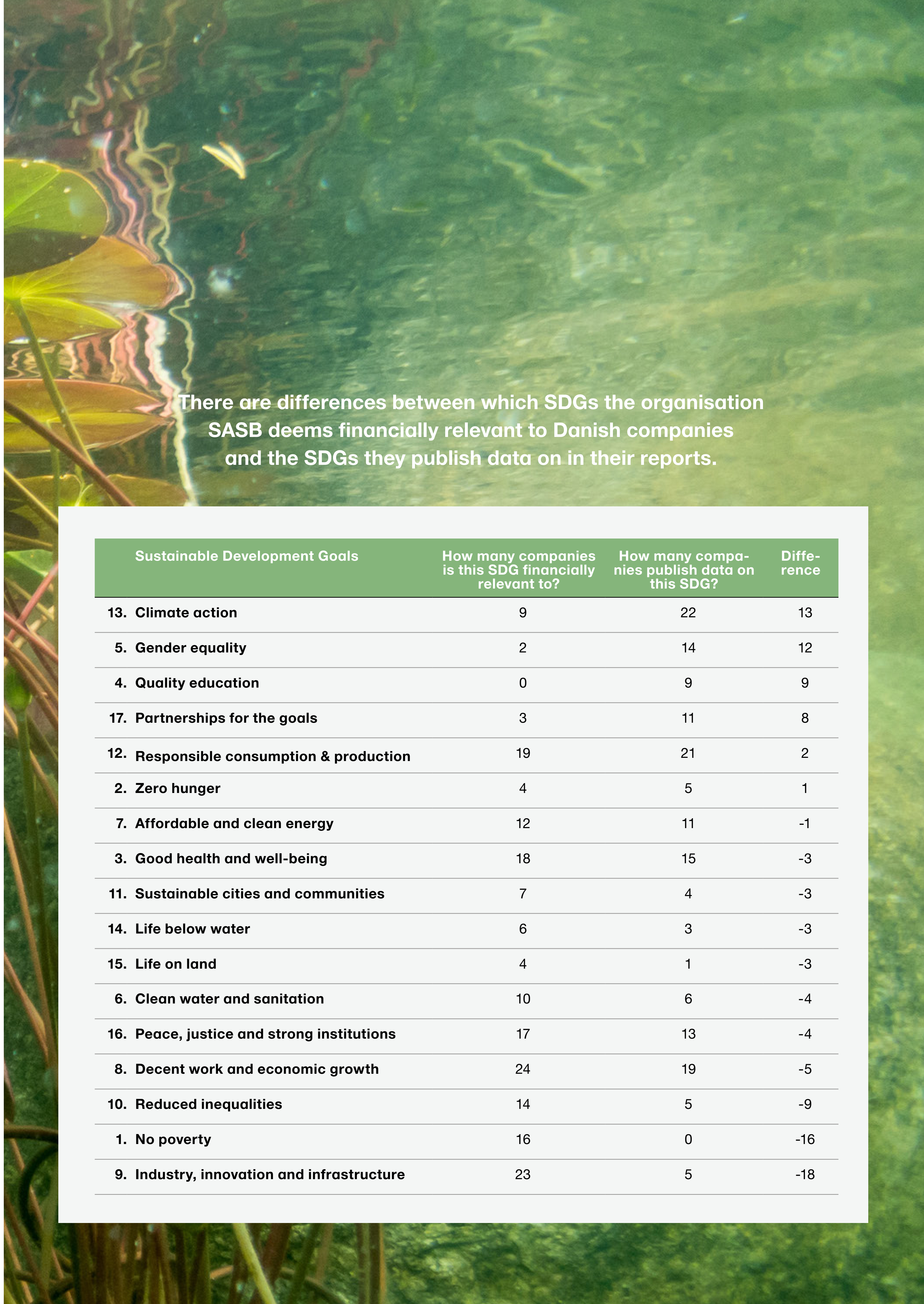
The C25 companies still need to improve their reporting on SDG 9 *Industry, innovation and infrastructure*, which is assessed as being relevant to 23 of the companies, while only five are reporting on that SDG. The same applies to *No poverty* and *Reduced inequalities*, which are relevant to 16 and 14 companies, respectively, while no companies report data on the former and five on the latter. The last two SDGs in particular are naturally important, but at the same time, they are also goals that can be difficult for an individual company to publish data on.

There is a clear - and understandable - tendency for companies to focus on the goals that are a priority in their home countries, and we believe it is a good thing that companies are committed to contributing to their national agendas. At the same time, we will seek to determine in the coming year whether - based on the findings from our analyses - there exists the potential for even better SDG reporting among the C25 companies. Additionally, we will incorporate the results for each company into our dialogue with them.

WHICH SDGS ARE CRUCIAL TO COMPANIES' VALUE CREATION?

The organisation SASB has a large number of industry-independent ESG metrics that identify the ESG factors that are significant to value creation in a given industry. In other words, there is a difference between which ESG factors matter most to value creation in a pharmaceutical company versus a utility company, for example.

SASB has examined 169 SDG indicators and linked their industry-specific ESG metrics to each of the indicators, allowing them to draw connections between the SDGs and companies' value creation.



There are differences between which SDGs the organisation SASB deems financially relevant to Danish companies and the SDGs they publish data on in their reports.

Sustainable Development Goals	How many companies is this SDG financially relevant to?	How many companies publish data on this SDG?	Difference
13. Climate action	9	22	13
5. Gender equality	2	14	12
4. Quality education	0	9	9
17. Partnerships for the goals	3	11	8
12. Responsible consumption & production	19	21	2
2. Zero hunger	4	5	1
7. Affordable and clean energy	12	11	-1
3. Good health and well-being	18	15	-3
11. Sustainable cities and communities	7	4	-3
14. Life below water	6	3	-3
15. Life on land	4	1	-3
6. Clean water and sanitation	10	6	-4
16. Peace, justice and strong institutions	17	13	-4
8. Decent work and economic growth	24	19	-5
10. Reduced inequalities	14	5	-9
1. No poverty	16	0	-16
9. Industry, innovation and infrastructure	23	5	-18

No way around sustainable plastic

Plastic is used in a wide variety of products across many industries due to the many excellent qualities of the product. It is cheap, easy to produce, hygienic, flexible and durable. In recent years, however, a growing focus has emerged around the fact that plastic has a major impact on climate change and biodiversity in connection with plastic production as well as disposal. This has led to new regulations concerning the circular economy and waste management.

As part of this year's focus on the SDGs and value creation, we have worked on identifying the links between plastic, how companies create value and the SDGs.

To start with, and based on a number of international studies on the matter, we have identified the industries that consume a lot of plastic for their products and/or generate a particularly high amount of plastic waste. Companies in the following industries are particularly reliant on plastic: Packaging, textiles, construction, automobile, electronics and medical equipment.

> 1/3 of ATP's liquid investments are in industries with a particularly high consumption of plastic. 30 SDG indicators within nine of the SDGs can be linked to plastic and companies' value creation.

Following that, we identified - with the help of SASB's methodology - the ESG factors in each of the industries that SASB has found to be significant to companies' value creation and connected them to relevant SDG indicators. The result is an overview of how the six industries are collectively linked to the SDG indicators, not simply in relation to how plastic is linked to the SDGs.

The final step of this process entailed an internal assessment of which of the identified SDG indicators could be linked to the production/use/disposal of plastic.

Thanks to this process, it became clear to us just how large a role plastic has in many areas, and how the management thereof can help tackle some of the challenges the world must find a solution to in order to achieve the SDGs. The companies in which we invest play a key role in this regard, specifically in terms of how they address the issue of plastic in their business operations.

ATP's goal is for companies in which we invest to have a long-term, sustainable business model, and we have accordingly increased our focus on how companies are generally handling the required transition from a linear (take-make-dispose) economy to a more circular approach to production, consumption and waste. How companies manage plastic is a key issue in this regard.

In 2020, we have focused in particular on medical equipment manufacturers, an industry in which plastic is a significant part of many of the products. Over the course of the year, we have been in dialogue with 10 companies within that industry. These dialogues have revealed major differences not only in terms of how far the companies have come, but also in terms of how they are seeking to address the challenges posed by plastic. The quality of recycled plastic is a key challenge to all the companies. Additionally, most of them have already implemented initiatives related to plastic packaging.

Based on the mapping of relevant industries, we will continue these efforts in 2021 as part of our new work relating to biodiversity in the portfolio.

WHAT IS PLASTIC USED FOR?
There are many different types of plastic, and plastic is used for many different purposes. Therefore, the length of time that plastic remains in circulation varies according to the type of plastic. Approx. 35 per cent of all plastic consumption is used for product packaging, which accounts for nearly half of all plastic waste. Construction materials account for roughly 15 per cent of plastic consumption, but only about 4 per cent of plastic waste. Plastic used for packaging is only used for a short time, while other plastic products, such as those used in cars or buildings, remain in use for years and even decades. Accordingly, there are also major differences in the types of plastic that make their way 'back' for reuse and recycling in terms of their content of chemicals, PVC and phthalate.

A world without plastic

– is neither realistic nor desirable. Yet in a world where plastic is a necessity, we also need to:

- Use less plastic
- Use more recycled plastic
- Recycle as much plastic as possible (to avoid waste)

ATP's recommendations to companies

Plastic producers: Offer sustainability advice services and develop sustainable solutions

Plastic users: Consider alternatives and incorporate circularity into the design phase

COLOPLAST AND SP GROUP ARE TWO OF THE COMPANIES ATP HAS BEEN IN DIALOGUE WITH

" As a manufacturer of plastic medical products, Coloplast has a responsibility to contribute to solving the problems of plastic waste and wishes to contribute to the UN SDG 12 on responsible consumption and production. However, there are various clinical limitations for reducing plastic waste within the healthcare sector. We have taken up this challenge, set clear priorities and also set targets for increasing the use of sustainable materials in our products, starting with our packaging, and making it more reusable by 2025. Product safety and clinical efficiency cannot be compromised, and single-use products are the simplest and safest option for our users. We are working on identifying new materials and supporting the development of new technologies. This is an industry-wide challenge that we cannot overcome on our own, which is why we will work together with suppliers and other industry actors to find solutions for products and the required infrastructure for managing plastic waste and recycling.

Nassera Ahmed, Senior Director Sustainability, Coloplast

" We are committed to being an active player in relation to sustainability and the SDGs. We are therefore monitoring developments in the field of recycled plastic, but the quality is not yet high enough for it to be used in the broader product segment. However, we are up to speed with developments and ready to provide more products made from recycled plastic once better solutions emerge.

We already have examples of products that we have manufactured from recycled plastic that we supply to interested customers, e.g. transport packaging in recycled plastic used in the automobile industry. We replace the traditional wood packaging with recycled plastic products, which are more durable and result in lower total costs for the customers.

Frank Gad, CEO, SP Group