## ATP in brief

<table>
<thead>
<tr>
<th>ATP LIVSLANG PENSION (LIFELONG PENSION)</th>
<th>23.3%</th>
<th>DKK 14.6bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ATP pension is a lifelong, guaranteed benefit which is paid for the entire pension period</td>
<td>return relative to the bonus potential. 20.2% on average for the past 5 years</td>
<td>PAL tax for the year contributed to the Treasury</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low expense ratio</th>
<th>Together with a group of other Danish pension companies, ATP has developed a joint Tax Code of Conduct for unlisted investments. Several pension companies have joined this partnership in 2020</th>
</tr>
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<tbody>
<tr>
<td>0.30%</td>
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### Mandatory pension scheme launched

Even more people on benefits are now saving up for their pension

### Low expense ratio

Udbetaling Danmark (Public Benefits Administration) has completed its major IT tender project and secured annual savings of

30% for municipalities

ATP handles Covid-19 related tasks of critical importance to society
Such as early payment of frozen holiday pay, payment of DKK 1,000 to benefits recipients, concluding a tripartite Employer’s Reimbursement System (AUB) agreement to support apprentices and others

### Senior Pension

ready for launch on 1 January 2021
### Five-year summary for the ATP Group

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<tbody>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Investment return</td>
<td>29,901</td>
<td>40,705</td>
<td>3,714</td>
<td>29,737</td>
<td>15,340</td>
</tr>
<tr>
<td>Expenses</td>
<td>(886)</td>
<td>(937)</td>
<td>(953)</td>
<td>(858)</td>
<td>(823)</td>
</tr>
<tr>
<td>Tax on pension savings returns and corporate income tax</td>
<td>(4,378)</td>
<td>(5,723)</td>
<td>949</td>
<td>(4,399)</td>
<td>(1,989)</td>
</tr>
<tr>
<td>Investment activity results</td>
<td>24,637</td>
<td>34,045</td>
<td>(3,718)</td>
<td>24,480</td>
<td>12,528</td>
</tr>
</tbody>
</table>

| **Hedging activities** | | | | | |
| Change in guaranteed pensions due to discount rate and maturity reduction | (56,807) | (72,337) | (27,866) | (10,032) | (47,816) |
| Return on the hedging portfolio | 46,484 | 86,710 | 32,932 | (10,089) | 56,371 |
| Tax on pension savings returns | (10,172) | (13,267) | (5,039) | 1,544 | (8,025) |
| Result of hedging of guaranteed pensions | (495) | 1,106 | 27 | 1,487 | (70) |
| Change in guaranteed pensions due to yield curve break‡ | (6,523) | (2,348) | (3,106) | (2,993) | (4,064) |
| Hedging activity results | (7,018) | (4,142) | (3,079) | (1,506) | (4,134) |

| **Investment and hedging activity results** | 17,619 | 29,903 | (6,797) | 22,974 | 8,394 |

| **Pension** | | | | | |
| Contribution | 10,744 | 10,061 | 9,871 | 9,703 | 9,572 |
| Pension benefits | (17,180) | (17,054) | (16,878) | (16,075) | (15,454) |
| Change in guaranteed pensions due to contributions and payouts | 8,239 | 8,099 | 8,505 | 8,289 | 6,956 |
| Administration activity expenses | (210) | (201) | (197) | (191) | (238) |
| Other items | 6 | 7 | 9 | 8 | 8 |
| Pension activity results before life expectancy update | 1,599 | 912 | 1,310 | 1,734 | 843 |

| **Business processing, external parties** | | | | | |
| Income | 2,297 | 2,436 | 2,458 | 2,042 | 1,545 |
| Expenses | (2,207) | (2,435) | (2,453) | (2,033) | (1,529) |
| Corporate income tax | 0 | 0 | 0 | 0 | 0 |
| Business processing result, external parties | (1) | 1 | 7 | 9 | 15 |

| **Results before bonus allowances and life expectancy update** | 19,217 | 30,816 | (5,480) | 24,717 | 9,252 |
| **Life expectancy update** | 1,130 | 3,231 | (20,025) | (1,036) | (9,901) |
| **Bonus addition for the year** | - | - | - | (6,406) | - |
| **Net profit for the year** | 20,347 | 34,047 | (25,505) | 17,305 | (648) |

| **Guaranteed pensions** | 813,589 | 759,628 | 693,373 | 650,881 | 658,797 |
| **Bonus potential** | 146,221 | 125,980 | 92,986 | 117,695 | 100,454 |
| **Net assets** | 959,810 | 885,608 | 786,459 | 768,576 | 759,251 |

### Key points of the past five years:

- **DKK 108 bn investment return before tax**
- **20.2 per cent average, annual investment return relative to the bonus potential**
- **DKK 33 bn reserved for longer life expectancy and pension increases**
- **DKK 51 bn PAL tax contributed to the Treasury**
- **5.3 per cent average value added for members**
- **0.32 per cent average APR retained**

### Ratios for ATP

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<tbody>
<tr>
<td><strong>Return ratios</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Return on investment before tax relative to the bonus potential in per cent</td>
<td>23.3</td>
<td>44.2</td>
<td>(5.6)</td>
<td>29.4</td>
<td>15.3</td>
</tr>
<tr>
<td>Risk-adjusted return</td>
<td>0.8</td>
<td>1.2</td>
<td>(0.1)</td>
<td>1.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Danish FSA ratios (N1), in per cent</td>
<td>10.8</td>
<td>16.2</td>
<td>3.7</td>
<td>2.5</td>
<td>10.1</td>
</tr>
<tr>
<td><strong>Bonus rate</strong></td>
<td>18.0</td>
<td>16.6</td>
<td>13.3</td>
<td>18.1</td>
<td>15.2</td>
</tr>
<tr>
<td><strong>Value creation from guarantees in per cent</strong></td>
<td>3.4</td>
<td>3.4</td>
<td>3.5</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Value creation from bonus potential in per cent</strong></td>
<td>13.3</td>
<td>30.3</td>
<td>(7.0)</td>
<td>22.5</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Total value creation in per cent</strong></td>
<td>5.5</td>
<td>8.0</td>
<td>1.5</td>
<td>7.3</td>
<td>4.4</td>
</tr>
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### Expense ratios in per cent

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</thead>
<tbody>
<tr>
<td>Administration expenses relative to assets</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Direct and indirect investment expenses relative to assets</td>
<td>0.28</td>
<td>0.30</td>
<td>0.31</td>
<td>0.31</td>
<td>0.28</td>
</tr>
<tr>
<td><strong>Total expenses relative to assets (APR)</strong></td>
<td>0.30</td>
<td>0.32</td>
<td>0.34</td>
<td>0.33</td>
<td>0.31</td>
</tr>
</tbody>
</table>

†Return on Investments is calculated as a daily time weighted return on the bonus potential. In previous years, the return was calculated relative to an average of start of year and end of year. The method has been changed for this year as it is presumed that a daily time weighted return is more accurate. Comparative figures have been adjusted.
Management’s review

An unusual year – also for ATP

2020 was a year unlike anything we have experienced before. This is true for ATP, for Denmark – indeed, for the whole world. After a year with the new virus as a constant companion, we are left with the feeling that the world as we knew it before 2020 has fundamentally changed.

Covid-19 affected ATP in many ways. This could be seen during spring of 2020 when the financial markets realised historic downturns as the virus spread from Asia to the rest of the world, causing sudden lock-downs of large parts of the world economy. The ATP business model once more showed its strength with the lifelong guarantees staying intact in spite of financial disruptions of historic proportions. Conversely, our investment result, after a strong start to 2020, took a significant downturn to the negative in Q1 in common with many other portfolios. The Covid-19 effect of shutting down several of the world's largest economies really became apparent during Q2, although we managed to regain some of the losses from the start of the year. Early in Q3, we managed to regain all the lost ground – and then some. At the end of 2020, the return was at DKK 29.9bn before expenses and tax. This is a remarkable result, particularly in light of the situation after Q1.

On the basis of ambition to secure the real value of pensions, the Supervisory Board had set a target for the result after expenses and tax for Investments and Hedging Activities which in isolation for 2020 was DKK 13.9bn. The result of DKK 17.6bn for Investments and Hedging Activities means that the target result was achieved and exceeded. We consider this to be highly satisfactory.

Covid-19 also affected ATP as a workplace, and within just a few days we arranged for 3,000 colleagues to work from home.

In terms of the investment area, our investment team and others, individually working from home, were navigating financial markets marked by significant turmoil. Initially, there were extreme downturns in the equity markets – even harsher and deeper than during the 2008-2009 financial crisis. Investor losses were substantial, and the same applied to ATP’s investment portfolio. This made 2020 an unusual stress test of the durability of our investment strategy. Our results for 2020 as a whole show that in spite of even the most extreme financial market fluctuations, ATP is still able to safely navigate and secure the pensions of Danish citizens.

Covid-19 was also a call for all hands on deck for our administration business, where you can find a large number of our employees. After all, in a situation where no one could predict how bad things could get – whether in terms of the pandemic or the economy – it was important that Danes could count on receiving, for example, their pensions, maternity/paternity benefits and rent subsidies as usual. In parallel, a new pension solution was launched.

It has been a positive experience to find out that we have been able to maintain productivity and delivery of services across the group, while surrounded by a new reality. This is reassuring when considering that the extensive use of working from home may become a necessity beyond 2020. This also reflects well on our many employees who once more made a difference for ATP and for Denmark.

As a major player in a Danish and European context, we work to integrate sustainability in everything we do. We take a clear position on dilemmas and stick to our positions relative to our stakeholders. In this way, we chart a direction both for ourselves and the industry, giving us influence extending beyond our DKK 960bn in net assets.

Bo Foged, CEO (Chief Executive Officer), ATP
This year, ATP once again exceeded the Supervisory Board’s target for Investments and Hedging Activities with a result of DKK 17.6 bn.

The financial fallout of Covid-19 to Danish society resulted in political decisions to assist those financially affected by the new reality. This resulted in urgent tasks for ATP. One outcome was that ATP was tasked with paying out frozen holiday funds and the DKK 1,000 politically agreed for all benefits recipients. When the Danish Parliament decided to create a Covid-19 related recovery fund for suffering Danish export companies, ATP was elected to manage it. ATP was also entrusted with the task of realising the tripartite agreement regarding the Employer’s Reimbursement System, aimed at providing extraordinary assistance to trainees and apprentices. Meanwhile, we have made the preparations for being able to manage and assign senior pension for qualifying workers.

ATP is proud to be entrusted with tasks of such significant societal importance. As the communal pension fund for all Danish citizens, the manager of one of Europe’s largest pension funds and the administrator of a substantial proportion of public benefits in Denmark, ATP holds great responsibility. We aim to make balanced and long-term decisions. Sustainable choices which create value for our members and our other stakeholders, because we believe that this is how to live up to that responsibility and to maintain the trust that others have in us.

I am often asked if sustainability and solid returns are not opposites. The response is no; to me, the two are insolubly linked. ATP’s returns have to contribute to pensions in the long term. In order to deliver, our investment decisions must be sustainable – that is, they must have long-term durability. This makes sustainability a central and integral guideline for ATP. To us, sustainability means thinking long-term, holistically, and that we create a balance between various considerations.

We wish to take ATP in an even more sustainable direction and to do so at four levels: as an organisation; via our investments; via our active ownerships, and via relations to our external partners.

ATP’s primary task is to ensure basic financial security for all of Denmark, whether the financial markets go up or down. Danish citizens must be able to trust that ATP will steer safely through hard times in order for its assets and guarantees to remain intact. We are tasked with securing a life-long supplement to the state pension – ATP is the only supplement to public pensions for 40 per cent of the population – and we manage and pay out two-thirds of all Danish welfare benefits.

Bo Foged, CEO (Chief Executive Officer), ATP

Strategic focal points

With Strategy 2023 “A sustainable ATP”, the Supervisory Board has defined six strategic focal points aimed at ensuring that ATP remains a relevant and trusted business partner for our stakeholders. The strategy sets a clear direction and defines the focus areas for continued value creation.

**Strong customer and stakeholder focus**
As a monopoly we must never forget our customers, and the role that ATP plays in society makes it crucial that we enjoy the support and trust of our stakeholders – members, citizens, politicians and clients.

**Long-term sustainable business model**
Long-term sustainable business models must in the short and longer term ensure that ATP stays relevant as a sustainable supplier of basic financial security.

**Responsibility**
Through all parts of the Group, ATP makes its mark on the society that we are a part of. This makes it essential that we consider responsibility across the ATP value chain.

**Balanced cost efficiency**
Quality, risk and cost efficiency are all components which it is essential to balance for ATP’s business model.

**Governance and risk management**
The precondition for supplying basic financial security is that ATP is trusted. This makes it important to ensure a reliable level of risk management and governance in everything that we do.

**Attractive place to work**
Competent and motivated employees with a high level of professionalism is a precondition for ATP to be able to realise the business targets.
Strong customer and stakeholder focus
Focus on customers

ATP works for the whole of Denmark. Our customers are all Danish. We work every day to create basic financial security for the Danish population – simply and efficiently. And we strive to always be a trusted and relevant enterprise for all Danes.

Our core task is to create good, stable returns on our investments which will ensure that both current and future pensioners receive a lifelong supplement to their state pension in the form of ATP Livslang Pension (Lifelong Pension), to manage a wide range of central benefits payments and to ensure that state pension, family benefits, and holiday pay, among other things, are paid correctly and on time.

ATP Livslang Pension (Lifelong Pension) is a collective pension scheme covering more than 5 million Danes. You will receive a monthly payment from the day you retire and for the rest of your life. And this is not affected by how old you get.

ATP also consists of a large Processing Business which annually manages the payments of welfare and social security benefits for citizens in Denmark in the order of DKK 300bn. The Processing Business also provides technical and administrative support services and procures and develops IT systems. The tasks are performed for labour and management parties, the Danish state and the municipalities. This takes place on a cost-recovery basis. Read more: www.atp.dk/en/processing-welfare-benefits

Results and dialogue create support

At ATP, we are in touch with most of the Danish society. Our primary customers can be divided into two groups:

One consists of members, citizens and corporations, which includes all the Danes saving up for a pension and receiving one or more benefits from us, and corporate entities which pay contributions to us and receive reimbursement. The other group is our clients – labour and management, the Danish state and the municipalities, for which ATP performs tasks based on legislation or agreements.

The societal role played by ATP and the tasks performed result in a large and wide range of stakeholders. ATP works to ensure that all our stakeholders are knowledgeable about ATP, about our business areas and about our tasks. These include:

- securing stable pensions with a lifelong guarantee for our members;
- striving for real value safeguarding of ATP Livslang Pension (Lifelong Pension);
- creating sustainable returns with a focus on responsibility and risks;
- ensuring simple, functional and digitised solutions and benefits for citizens and corporations;
- ensuring cost-effective administration;
- ensuring uniform case handling, correct and timely payments and decisions inside fixed budgets and with a high degree of customer satisfaction.

It is also central to our task performance that we receive feedback and inputs from our clients, customers and from the wider society in general. This is why we are actively involved in creating an on-going and open dialogue with our stakeholders in order to be close to those that we exist to serve. This applies to contacts with politicians, associations, corporations, NGOs – and to Danish and international collaboration in the pension industry, professional networks and at conferences and general meetings.

About ATP Lifelong Pension

Regular payments to ATP exist to ensure that we all have a little bit more to live on when we retire. At the end of 2020, ATP held pension fund net assets of DKK 960bn. We paid out DKK 17.1bn in ATP Livslang Pension (Lifelong Pension) to just over 1 million people in 2020. 40 per cent have no other pension income to supplement their state pension than ATP Livslang Pension (Lifelong Pension).

More about ATP Livslang Pension (Lifelong Pension) on page 22
With trust comes obligations

ATP was introduced by the Danish Parliament in 1964 with the purpose of providing Danes with a state pension supplement. Today, ATP covers most of the Danish population who put money aside for their pension via ATP Livsling Pension (Lifesling Pension). As a statutory and mandatory scheme, ATP has acquired a special role and status in relation to a part of the pension savings of Danes, and this puts us under a healthy pressure to deliver. Since our members cannot deselect our service, we must and will do our utmost to earn the trust shown by society. This applies both to our role as pension investor/manager and as a processing business.

However, the statutory origin of ATP’s existence must never result in that we take our tasks and responsibility for granted. Instead, we apply this to motivate ourselves to perform our tasks in ways that are second to none – internationally speaking – in the areas of pension investment and administration. We constantly seek to perform our tasks even better, to stay relevant to our customers and attractive to other stakeholders.

The role as a trusted partner is central to us. Professionalism and credibility are required from us to function as a sparring partner for the listed companies that we invest in. We also have to provide inspiration, create standards and help set the agenda for our areas of interest, such as the taxation area.

We also ensure uniform case handling, secure and stable operations and compliance in the use of ATP’s registers and data as well as on-going development of IT systems. Given our size, we make extensive use of new technologies (robots and machine learning), thus saving costs and providing citizens with more digital services.

A good reputation and satisfied customers

That is why we produce on-going measurements on how our customers, our clients and the wider population – members and citizens – view us. We continuously test how the many citizens to whom we make payments and have direct contact rate this contact and the treatment and decisions they receive from ATP. Our ambition is a satisfaction rate between 70 and 80 per cent. We have met this target in 2020, also. As we set very high standards for ourselves, we often proactively contact respondents who have expressed their dissatisfaction. We do so to understand where and how we can raise our level.

The ATP Group also performs on-going reputation analyses among the population. The purpose is to gain knowledge and insights into how society views us generally and what people think about us in selected areas which are central to us and our clients. The result of our reputation analysis was once again positive for 2020; indeed, we have improved in a number of areas. The population assessment confirms that ATP is very much considered to be ‘professional, solid, well-run and credible’, while ‘pension security’ and ‘ATP’s economic importance’ are assigned a high weighting in the positive assessment of ATP.

Fast response when needed

Covid-19 was very much front and centre in Denmark and at the top of the political agenda in 2020, and many decisions in the Danish Parliament resulted in new tasks for ATP. Some of these were directly related to the pandemic, of which the following are a selection.

In June 2020, a Danish Parliamentary majority decided to release three weeks’ frozen holiday pay in order to kick-start the Danish economy. The payments were to commence at the end of September, and ATP was tasked with developing and operating a payment solution to pay out the roughly DKK 60bn involved. A brand new and fast IT solution was created on the basis of our existing platform, enabling the Danes to request their frozen holiday allowance without delay.

The pay-out became a huge success: A total of 2.3 million wage earners requested a payment, totalling just over DKK 52.3bn.

As of 1 January 2021, the ATP Group will assist the fund.

The global shutting down of economies across the globe during 2020 also resulted in the creation of a state ‘fund’ of DKK 10bn. The fund purpose is to recapitalise large, Danish corporations that have been affected by an extraordinary financial shock as a consequence of Covid-19. ATP has been appointed to operate and manage the fund. In 2020, this resulted in the incorporation of a separate subsidiary that will assist the fund.
Long-term sustainable business model
For all of Denmark – now and in the future

ATP consists of two business areas, both of which perform demanding and important tasks for Danish society. One task area deals with the pension product ATP Livslang Pension (Lifelong Pension) and the other is responsible for a range of central insurance and social benefits for labour and management, state entities and municipalities.

The two business areas and models are fundamentally different, but shared features are that the tasks are critical for the wider society and complex.

**The Processing Business task**

The ATP Processing Business rests on three legs: Pension & Erhvervssikring, Udbetaling Danmark – Public Benefits Administration and Seniorpension

Pension & Erhvervssikring performs tasks for labour and management – such as payment of holiday allowance, the industrial injuries area, and reimbursement schemes for, e.g., trainees and maternity/paternity leave.

Udbetaling Danmark – Public Benefits Administration performs tasks for municipalities and state entities, such as payment of state pension, maternity/paternity benefits, children’s and family benefits, rent subsidies and international pension, etc.

The Seniorpension unit manages and awards senior pension for worn-out workers.

The ATP Processing Business has locations nationwide. All task area deals with the pension product ATP Livslang Pension (Lifelong Pension) – from state pension age. The target is positive customer experiences based on cost-effective administration, secure and stable operations and strong compliance.

In recent years, the Processing Business has experienced growth in new tasks and areas, including, for example, more complex tasks and subjective case handling. In order to be able to continue to ensure cost-effective and simple administration with secure and stable operations, ATP focuses on strengthening the business model in this regard and to clarify what it is that ATP does well and where ATP can create value.

**ATP Livslang Pension (Lifelong Pension)**

The basis for the introduction of ATP by the Danish Parliament was the wish to create a supplement to the state pension for Danish pensioners, regardless of their income level and their life progression. Since ATP covers practically all Danish citizens and since it is a statutory scheme, ATP, together with the state pension, is considered the principal pillar of the Danish pension system. This position is fundamentally important to the way in which ATP invests its assets. Assets which are generated via monthly payments from practically all working Danes.

Danes need to know what they will receive as pensioners. When we project a specific pension amount to the Danes, this creates an expectation of income level after retirement. For this reason, ATP has a strong need to invest in safe assets in order to honour our guaranteed obligations.

ATP is paid out as a lifelong benefit – ATP Livslang Pension (Lifelong Pension) – from state pension age. The precondition for receiving ATP is to have made contributions to the scheme during one’s adult life. How much one receives depends on how long and to what extent one has worked.

In 2020, ATP Livslang Pension (Lifelong Pension) in combination with public pensions was the only pension income for 40 per cent of Danish pensioners.

**Facts about ATP Livslang Pension**

- In 2020, 5.3 million Danish citizens were covered by the ATP scheme
- 3.4 million citizens made contributions to ATP Livslang Pension (Lifelong Pension) in 2020 – just over 1 million received payments from the scheme
- ATP Livslang Pension (Lifelong Pension) includes survivor benefits for your family
- For a 66-year-old, full ATP pension is DKK 25,200 per year. On average, a 66-year-old will receive DKK 17,000 from ATP Livslang Pension (Lifelong Pension) per year.
- ATP Livslang Pension (Lifelong Pension) also contains an inexpensive insurance component: Payments continue for life from the state pension age, thereby ensuring a fixed supplement to the state pension for all members
- Today, any Dane can go to www.pensionsinfo.dk and view the size of their expected ATP pension
- Value added for members in 2020 totals 5.5 per cent. Read more about ATP’s value creation key figures at www.atp.dk/en/results-and-reports-atp-group

94 per cent of Danes aged between 25 and 65 paid ATP contributions in 2020, thereby accruing pension rights. This clearly makes ATP the most widely covering pension scheme in the country.
How we invest

For a typical wage earner, DKK 3,408 is paid into ATP per year, of which the employer pays two-thirds.

Most of the amount – 80 per cent – is placed in the pool designed to guarantee future pension payments: the hedging portfolio. It is essential to ATP to be able to provide the pensions that members have been promised, since ATP is a statutory and guaranteed scheme. And exactly because ATP is mandatory, members have to be certain that they will receive the guaranteed pension when they retire.

The rest of the payments to ATP – 20 per cent – is placed in the other pool: the investment portfolio, which is used either to increase life expectancy or to increase pensions for ATP Lifelong Pension.

80%

The hedging portfolio

In order to ensure always having the funds required to pay out the amount guaranteed, we invest the majority of members’ payments in securities such as bonds and interest swaps. In this way, we hedge the interest risk and ensure that we can keep our promise to members to pay them a specific pension, both now and many years into the future.

The value of the guaranteed pensions rose by DKK 56.8bn in 2020 (before interest yield curve effect), mainly due to falling interest rates. At the same time, the hedging portfolio realised positive returns after tax of DKK 56.3bn. The value of the hedging portfolio therefore increased in step with the pension guarantees, and the hedging once more worked as intended, namely, as a protection for the guarantees.

20%

The investment portfolio

This involves riskier investments, such as in equities, real estate and other alternatives to create high returns. Historically speaking, it is the investment portfolio returns which have been high enough to enable ATP to build financial reserves to cover unforeseen expenses and pension increases. These reserves will also be used in future to cover unforeseen expenses and, for example, to ensure that ATP has sufficient funds if members live even longer than we already expect, and to allow the possibility of increasing payments to keep up with inflation.

In 2020, the portfolio realised a return of 23.3 per cent relative to the bonus potential. Especially Danish equities and government and mortgage bonds contributed to the positive investment result. The market value of the investment portfolio at the end of 2020 was DKK 390.8bn.
Falling interest rates have been a trend for several years, and the same applies to 2020. And everything suggests that the very low interest rate level will be a reality for several years to come.

Low interest rates are a challenge for the pension industry, including ATP. Low interest rates means that it is harder to create good pensions, both because the rate of return that ATP can guarantee is low and because the low interest rates affect the yield on riskier assets, meaning that expected future returns will be lower. We still need, however, to be able to honour lifelong guarantees and to keep our promise of specific payments.

The current business model ensures a very high degree of security that ATP can honour the guaranteed pension. However, using the current model makes it very difficult to live up to our target of ensuring that ATP Livslang Pension (Lifelong Pension) can also be adjusted for inflation on an on-going basis such that payments retain their real value. This creates a need to adjust the risk-taking framework in a way that does not jeopardise security.

ATP must always be able to honour the guarantees such that the Danish population can count on their future payments from us.

For the management of ATP, the top priority is to continuously ensure that business models are up-to-date relative to the objective: to ensure the best possible basic pensions. Since 2018, ATP has been undertaking careful analyses with a view to uncovering the opportunities for optimising ATP’s pension product. The objective is to create a basis for attractive returns without compromising on guarantees, and for this to also work in the low interest rate universe of the future. At the end of 2020, based on these analyses, ATP’s Supervisory Board decided on a number of measures to contribute to this long-term safeguarding. It is the view of the Supervisory Board that the changes can be implemented such that the future ATP can both satisfy the need for high returns for members and at the same time guaranteeing ATP’s obligations. Implementing the proposed changes requires amendments to the ATP Act. It was expected at the end of 2020 that the Danish Parliament would consider amending the Act before the summer of 2021.

Since adjusting the ATP business model will not result in changes to existing guarantees, the adjustment will gradually come into effect over a number of years.
March 2020 – a perfect storm

The ATP business model and investment strategy has proven its value for decades. One of the reasons is that ATP has been adjusting the model in step with societal developments. To ensure that the business model remains robust at all times, ATP performs continuous contingency exercises with a variety of risk scenarios. Over the years, the model has also been tested by reality, and each time it has proven to be very robust. This was also the case in March of 2020 when Covid-19 caused one of the worst historical storms in the financial markets.

Mikkel Svenstrup relates the unusual experience of taking up the position of Chief Investment Officer on 1 March 2020, just 11 days before the shutting down of most of Denmark – including most of ATP.

“We had seen quite positive returns in ATP after the first two months of the year. Then the virus spread from Asia and the prices dropped fast, both in Denmark, in Europe, in the USA, and in Asia. Many billion were lost in just a few weeks. It was hectic; not even during the 2008 financial crisis or the 1929 Depression did the markets drop that much and that quickly.

To us, one of Europe’s biggest investors, a lot of money is at stake in a situation like that. We had days when we left work to go home in the knowledge that we had lost many billion. Or, rather – we did not go home, since in addition to the falling equity prices we also faced the new situation that our workplace was shut down and we were instead placed in children’s rooms, home offices, or at a desk in the basement, talking via the computer to execute the strategy which the investment team believed would be best suited to meet this challenge, including in the longer term.

I will remember the month of March 2020 for a very long time. It was an extremely difficult market to navigate – not made easier by the fact that we did not have a physical war room to run things from and me being all new at ATP. But I have to say, also, that those days confirmed to me exactly why I chose ATP. ATP was just so prepared and ready for a sudden onset crisis, and the strong focus on contingency plans and management exercises proved to be extremely valuable. The storm in the financial markets was hurricane strength, communicating with employees was no longer at the workplace, and in certain ways counterparty banks and clearing houses had to be dealt with differently. It was not a simple task to operate in this altered reality. But it was said that practice makes perfect, and this was proven to me. ATP’s investment muscle has been trained to handle all imaginable scenarios and can withstand very strong forces. The same can be said for the hedging strategy, which once more showed its worth.

Things looked dark during those days in the spring. But extremely swift financial and fiscal policy measures eradicated most of the market panic and equity prices went up significantly during April. We regained what we had lost already during the summer, and after that things really took off in the right direction. There is a sense of security in knowing that ATP was able to steer through bad weather like that. I am impressed and proud – also of the handsome investment results delivered in 2020, which was truly a challenging year.”
Responsibility
Through all parts of the Group, ATP makes its mark on the society that we are a part of. This makes it essential that we consider responsibility across the ATP value chain.

For future generations
When you have been entrusted with a large portion of the pension assets of the Danish public, you have a responsibility for taking long-term decisions that ensure sustainable value creation for ATP’s members, our customers and other stakeholders.

Sustainability is therefore a central guideline for thinking and acting at ATP. It sets the course for how we run our business and for maintaining the support and trust that we need from the world around us.

Sustainability is about solving our tasks in the best possible way without leaving a bill to pay by future generations

Over time, we must balance the consideration of customers and clients with acting responsibly in a society moving in an increasingly more sustainable direction, both financially, socially and environmentally. It is also important to consider the responsible use of resources, capacity, and competencies.

At ATP, we are proud of having been entrusted with a task important to society at large. This motivates and inspires us to take care to reach the right decisions, even if they are not always popular. This is how we can best live up to our responsibility and maintain society’s trust in us.

ATP has a long tradition for taking responsibility for the society that we are a part of. As an investor and pension fund, as an administrator, and as a workplace. We shoulder our part of the responsibility, while aware that we cannot do it all on our own. In order to make the greatest possible difference, we concentrate on selected areas in which we have special expertise and resources. We believe that this is the way to create the best possible results. ATP’s responsibility relates both to what we do, ourselves, to how we affect the world around us, and to how we cooperate with others.

Like rings in the water
ATP’s responsibility relates both to what we do, ourselves, to how we affect the world around us, and to how we cooperate with others. This is illustrated above.

Even though ATP does not have a large environmental footprint, it is important that we show the way and take responsibility. Both in terms of environment and climate, in terms of the people for whom we are responsible, and in terms of the way we run our business.

As a company, therefore, we work on reducing our CO2 emissions. We do this by focusing on the use of raw materials in the canteen, by increased waste sorting and optimised consumption of water, heating, and electricity.

As an investor, we work on integrating considerations related to climate, environment, and social and management elements into our investment portfolio.

As active owners, we make a difference via constructive dialogue with the companies we invest in, and we make use of our voting rights at general meetings.

Last, but not least, we take an active part both in participating in and establishing collaboration about important agendas such as, for example, responsible tax payment.

ATP’s responsibility is like rings in the water – the bigger the rings, the bigger the effect.
Savings where possible

One of the most important initiatives for 2020 was the installation of LED lighting in the head office in Hillerød. The old light fittings had to be replaced for work environment reasons, and there was a good business case for changing to energy-saving LED fittings. After a one-off investment of DKKm 3.2 for the new fittings, we have realised a reduction from 2019 to 2020 of DKKm 0.5 and a reduction in electricity consumption for lighting of approx. 250 MWh per year. This equates to a saving of approx. 50 tons of CO2, equal to approx. 73 per cent of the total CO2 emissions related to electric lighting. The investment will have paid for itself after approx. five years, meaning that we have made permanent cost reductions. Since the expected lifetime of the new LED bulbs is expected to be up to 15 years, future operating expenses related to replacement will be minimal.

Even boring things make a difference

Sustainable solutions do not always equal fancy initiatives that look great in annual report illustrations. But that does not mean that they are not worth doing. As an example, the old ventilation system from 1964 was overhauled in 2020. New, energy-friendly ventilators have not only provided an annual CO2 reduction of approx. 49 tons. The finances look good, too, as the DKKm 2.2 investment will have paid off itself within approx. 5 years, since this is another area where we will be saving electricity. Implementation has also resulted in greater air change in certain areas, which has improved the indoor climate.

In order to further reduce our CO2 emissions, we have had our electricity consumption certified and now contribute to the erection of new wind turbines in Denmark. And finally, ATP’s car policy has also been updated in 2020. The number of cars in ATP is not high, but it has none the less been decided that as of 2023 ATP’s company cars will be electric and hybrid-powered.

Committed employees

A decisive element in ATP’s work with CSR and climate improving initiatives is the support and commitment from employees.

This was most clearly expressed when the canteen decided to phase out disposable packaging in 2020. The initiative was launched on our internal employee site, where we also requested good ideas for environment and climate improving measures. They came flowing in immediately, and one of the suggestions was about waste sorting. In the past, we each had our own waste bin with only two sorting options. Now the waste collection areas are larger and located in places that we all pass by. This now makes it possible to sort into more categories and increasing the amount of waste going to recycling. And rather than paying extra to have unsorted waste collected, we are now getting paid to sort into plastics, paper, etc. The result is that ATP has reduced its waste amount from 396 tons in 2019 to 281 tons in 2020. CO2 emissions for the waste removed was also reduced by approx. 33 per cent. Working from home due to Covid-19 has also had an effect on the year’s result, and the same reduction or level is not expected in the future.

Beneficial green bonds

The climate is high on the societal agenda, and there are many positive initiatives, both political and among corporations. One of our key policies in 2020 was continued massive investments to ensure cheap financing of climate-friendly projects such as solar cell and wind farms. The point being that green bonds are used to finance projects that contribute to the green transition.

The green bonds market is rapidly developing, and based on in-depth analyses over the past few years that has both given us more insight into this new investment opportunity and allowed us to develop competencies in working actively with the area, the conclusion is that green bonds are a good fit for ATP – both in terms of creating returns and as a contribution to the green transition.

From having no investments in green bonds in 2017, we had nearly DKK 30bn invested in the area by the end of 2020, making us one of the leading actors in Europe. One of the reasons, is that we were among the first investors in the world to start demanding closer communication with green bond issuers to ensure the greatest possible transparency about the projects they would be used for. Our experience has motivated us to do more, and the expectation is to reach approx. DKK 50bn in sustainable bonds in 2021. At the same time, we are looking at the so-called Social Bonds. For this new segment, a similar process of clarification is required before any investment decisions are made.

We aim for the greatest returns and climate effect

When balancing returns and responsibility, dilemmas often occur. One of those relates to how real improvements can be created.

In 2020, after months of calculations and analyses, we decided to change our approach to investing in utility companies. These are typical stable equities, even during times of market fluctuations. This makes them a good fit for our international equities portfolio. There is, however, the problem to consider that utility companies emit large quantities of CO2. Even though utility companies only represent approx. 6 per cent of the market value of our international portfolio, they represent approx. 70 per cent of the CO2 emissions.

The objective was to investigate what we could do to reduce CO2 emissions. If the intention was to look ‘green’, all we had to do would be to sell our equities in those companies. That would result in a significant reduction in ATP’s overall CO2 footprint. But if we sold our equities, this would make no difference to global emissions. It would be the same. ATP just would not own the equities. Some other investor would, instead.

Our ambition is to make an actual difference. So we have made a targeted effort to identify the group of utility companies that recognise that the green transition is a necessity and that work actively on reducing their emission of greenhouse gases.
We are a major player in a Danish and European context, and there are high expectations for us – and rightly so. Therefore, we also have a shared responsibility for moving both ourselves and the world around us in a more sustainable direction.

Bo Foged, CEO (Chief Executive Officer), ATP

But why not invest in companies that are already green? Such as the Danish company Ørsted, for example? Why invest in companies that look black when measured on their CO2 footprint? We combined data for individual utility companies’ greenhouse gas emissions with data for the companies’ focus and plans to reduce their emissions. Based on this, we have been able to conclude that the companies with the greatest focus on moving in a greener direction are also the companies that manage to create significantly greater effect relative to reducing global greenhouse gas emissions. This means that it is the will to change a significant CO2 footprint that will be the determining factor for our investments – since that is where we can make the biggest difference.

Our analyses demonstrated that it produces a lower return to only invest in companies that are already green rather than investing in companies that have the greatest focus on the green transition – even if they have only just started on the journey towards a greener business model.

So this means that our investing in companies entering a transformation, such as DONG Energy did before it changed its name to Ørsted, makes a significant contribution to the green transition at the same time as ATP’s members realise greater returns, as opposed to our merely investing in companies that are already green.

There will be companies in our investment portfolio that do not only make ATP’s CO2 books look better. That is the short-term price. In the longer term, it can help reduce the total global emissions. This means that Danish pension funds are actively helping to drive the green transition.

Our new approach has been met with both appreciation and criticism when communicating with our stakeholders. Critics thing that we should sell everything ‘black’ and move the pension assets to the green. At ATP, however, we are convinced that our approach is the most effective one, while at the same time we create a return, if we want to make a real difference relative to reducing global greenhouse gas emissions.

Active ownership

- We use our voice and voting rights
ATP is actively involved in the companies we invest in – how they act and develop. We seek out knowledge and insights and make our influence felt and, especially in Denmark, work as a sparring partner with both the boards of directors and executive managements of the large, Danish companies, just as we vote at annual general meetings. This is what we call stewardship.

Dialogue is the key tool in our stewardship activities. Dialogue with listed companies can relate to all the topics that may be of importance to the investment, such as strategy, results, risk, capital structure, corporate governance, corporate culture, management remuneration and responsibility generally speaking.

ATP’s continuous screening and fact-finding activities ensure that the investment portfolio is investigated on an ongoing basis with a view to identifying the companies which involve the greatest risk of violations of the Supervisory Board’s policy of responsibility in investments. This also helps ensure that ATP complies with international guidelines for good corporate conduct.

If a screening indicates that a company may have violated ATP’s policy, the investigation will change to fact-finding. Fact-finding is a flexible investigative process in which we can include a variety of different sources. The purpose of the fact-finding process is to enable ATP’s Committee for Responsibility to determine whether ATP’s policy has been violated. If ATP’s Committee for Responsibility finds that a portfolio company is in breach of ATP’s Policy of Responsibility, ATP will either exclude or engage in a targeted dialogue with the company.

- Better ESG data creates better companies
ATP focuses on ensuring that our ESG efforts are effective and create value both for us and for the companies we invest in. That is why in 2020 we have worked on increasing the collection of ESG data from our portfolio of illiquid investments. The purpose of collecting ESG data has been to acquire enough relevant data from the companies to enable us to the one hand to analyse the portfolio across industries and on the other hand to use the information in our dialogue with the individual companies about their ESG efforts. This enables us to identify the companies that have come a long way and those companies that need a nudge in the right direction. The increased data collection also illustrates our ambition to be active owners who use our influence.

Data collection has been focused on three themes: Policies, processes and performance. Policies are a precondition for having processes, and processes are a precondition for performance. This structure creates a natural data collection hierarchy that ensures that companies work at the right levels relative to their stage of development and are focused on the potential of ESG in their efforts to create value. The purpose of data collection is therefore not to create a beauty contest between the companies – on the contrary. Regardless of the level that each individual company is at, the purpose of the new ESG data is to create better and more valuable companies for the benefit of ATP’s investment, which ultimately benefits our members.
Cooperation

Tax code
At ATP, we have increased our ambitions for the tax area on an ongoing basis. Both in relation to specifically strengthening our work with responsible tax payment and to focusing on themes which an investor must consider. What matters to ATP is not to pay more or less tax, but to pay the right tax, and that the structures are sufficiently transparent and make sense.

The first tax policy was adopted in 2016, and in the following year ATP’s management raised the ambition level with an updated tax policy with the clear purpose of countering aggressive tax planning in unlisted investments. The policy covers both own investments and investments with others. A progressive tax policy that is more restrictive than the legislation is currently used by a wide range of Danish pension companies which have adopted the tax code in 2019 and 2020. And most recently six of Denmark’s largest private funds and associations have adopted the common principles with effect from 2021.

And finally, ATP entered into focused dialogue in 2020 with the largest listed Danish companies about their tax management, as some of the companies have room for improvement in the tax reporting area. Discussions with the tax managers of the companies have been positive and beneficial for both parties, and have in part resulted in some companies adopting new tax policies while others have strengthened their tax reporting. ATP pays Danish tax on pension savings returns regardless of the source of the return. Over the past 10 years, ATP has paid DKK 94bn in tax on returns as a contribution to the Treasury.

Read more www.atp.dk/en/tax-policy

Active on many fronts
When you are a pension fund for the whole population and manage significant welfare benefits, as ATP is and does, it is absolutely essential to be able to cooperate and participate in fora where ideas are exchanged, new knowledge is gained and where everybody contributes.

This applies to our daily work which involves continuous dialogue with relevant ministries, agencies and municipalities and labour and management parties about the tasks that we perform for the various parties. We also cooperate with organisations representing the citizens who receive the benefits – e.g. Ældre Sagen (Dane age Association) and housing associations – a cooperation which also creates value in ATP’s Processing Business. This happens, for example, when ATP participates in the common public digitalisation work.

ATP is also, as an investor, an active part of a number of international bodies. Climate Action 100 Plus, for example, an initiative among global investors aimed to ensure that the world’s largest greenhouse gas emitters commit to reducing climate changes. There are now more than 500 investors taking part in Climate Action 100 Plus, representing a total of DKKt 319bn.

ATP is also a member of the non-profit organisation SASB, which develops standards for how companies report on sustainability. Via our subsidiary ATP Ejendomme, we are also a member of GRESB, an organisation specialising in assessing and comparing corporate efforts and results relative to sustainability. ATP Ejendomme works with the purpose of optimising both existing and new properties relative to sustainability and in 2020 achieved a rating of four stars out of five.

ESG and CSR
ATP works with responsibility inside the framework of both international and Danish legislation and conventions. We support the Paris Accord and Denmark’s target of a 70 per cent reduction in CO2 emissions by 2030. In addition, the UN’s 17 Global Goals are also important relative to the work with responsibility. As an employer, we focus on objectives such as health and welfare, gender equality, sustainable energy and climate initiatives. In our investment business, it is the companies in which we invest that work with the Global Goals, and all the goals are represented.

We work with responsibility on the basis of two concepts. CSR and ESG. CSR is about what we do as a company and an employer, and ESG is about what we do as an investor.

CSR stands for Corporate Social Responsibility and ESG for Environmental, Social and Governance. Both concepts cover the elements included in ESG: E for environment; S for Social – i.e. people, and; G for governance.
Balanced cost efficiency

Quality, risk and cost efficiency are all components which it is essential to balance for ATP’s business model.

Every penny counts

In order to create a sustainable balance between quality, risk and expenses, ATP works with a balanced approach to cost efficiency. This does not mean we are not ambitious in the area, but that we place expenses in perspective relative to quality and risk. It is relatively simple to reduce expenses in the short term, but significantly more difficult to do so in the longer term.

In a world in which returns expectations keep falling, expenses become increasingly more important to being able to create good pensions. In the Danish pension industry, there are very big differences in the costs of management and investment of pension savings. Some of the reasons are that there are differences between the companies’ business models, customer groups and products. The level of expenses directly affects future pensions. Even small differences in expenses can, over longer savings periods, result in significant differences in pension payments.

It is absolutely crucial for ATP to be cost-effective, which makes it important to have some of the very lowest expenses in the industry. Since it is a statutory and mandatory scheme, Danes cannot decide whether they want to be part of the ATP universe. The collective scheme is intended to ensure financial security, but at the same time forces us at ATP to be able to justify our expenses. We have been entrusted with the role as all of Denmark’s pension company, and our members have to be able to trust that we manage that trust in the best way possible, such as by keeping a constant focus on expenses.

We work with balanced cost efficiency in all areas:

- Low administration expenses for effective operation of ATP Livslang Pension (Lifelong Pension) (low expenses per member and APR)
- On the investment side – with a view to the return potential which can be created with each Danish krone spent (focus on return after expenses and APR)

ATP is able to keep its administration activity expenses low because we have one single mandatory product on our shelves: ATP Livslang Pension (Lifelong Pension), which enables economies of scale. A large proportion of communication with ATP’s members is also now digitalised, payment processes in and out are automated and the IT platform is stable. This all contributes to keeping the expense level down.

In line with ATP’s long-term development strategy, we are making continuing investments in the IT platform to ensure that it remains up-to-date and supports appropriate IT security and that it ensures a stable data basis and operational risk management. As expected, expenses rose slightly in 2020, primarily due to increased focus on IT security, operational risk and compliance in general, while at the same time ATP has participated in a number of common public digitalisation initiatives.

The most recent international comparison of expenses in the investment area which ATP has participated in shows that the total investment expenses of ATP Livslang Pension (Lifelong Pension), adjusted for indirect return-related fees, are among the very lowest in the industry, including global pension funds. ATP’s total investment expenses are on average 32 per cent lower than for comparable companies with roughly similar net assets to ATP.

International comparison of administration activity and investment expenses

1/10th of the average for comparable, global pension funds.

1 CEM Benchmarking is an international comparison of global pension funds.
We will also be participating in public digitalisation initiatives in the future, which will, all other things being equal, affect the expense level in an upwards direction during the investment stage, but efficiency improvements mean that during the operating stage we will be able to keep the level low. Mandatory Pension Scheme (MPS) came into effect on 1 January 2020, and is being managed together with ATP Livslang Pension (Lifelong Pension), and efficiency enhancement has made it possible to retain the same expense level even after implementing MPS.

ATP can maintain very low administration activity expenses because in terms of being a pension provider, ATP offers only one product.

ATP’s administration activity expenses in 2020 were DKK 210m, equal to just under DKK 40 per member. This, as in previous years, is very low in an international context, according to the benchmark analysis on the preceding page. ATP’s administration activity expenses form part of ATP’s total, annual expenses in per cent (APR). APR is the pension industry’s standard method of collating and measuring all expenses related to a pension product with the purpose of providing members with the greatest possible degree of transparency.

On the investment side of things, there is also a continuous focus on how we get the greatest benefit from the funds. In 2020, as in previous years, ATP has been looking at which investments can be better managed in-house by our own portfolio managers and in which specialised areas it makes more sense to involve external managers. This has also resulted in savings this year. It is typically much more expensive to place mandates with an external manager, which is why it must constantly be checked whether an additional return is created which justifies the extra expense. When ATP assesses the most appropriate placing of funds, we consider factors such as risk-adjusted returns, cost efficiency, tax issues, social responsibility and ownership. All of those things combine to determine whether a potential return potential should be pursued. The cost base composition is a result of what, in the long term, is expected to contribute additional returns for the benefit of ATP’s members.

ATP’s APR for 2020 was 0.30 per cent of aggregate assets, which relative to the industry is right at the lowest end of the spectrum. Administration activity expenses contribute 0.02 per cent and investment expenses 0.28 per cent. When managing investment expenses, our primary focus is on optimising returns after expenses. This does not, however, change the fact that APR is a central key figure for ATP, and the objective is clear: We must be among the cheapest in the industry. External managers’ fees represent by far the majority of the APR base, which is why an assessment of performance in relation to costs is made on an ongoing basis.

Statement of annual expenses in 2020

<table>
<thead>
<tr>
<th>Description</th>
<th>DKKm</th>
<th>DKK per member</th>
<th>APR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration activity expenses ATP</td>
<td>210</td>
<td>40</td>
<td>0.02%</td>
</tr>
<tr>
<td>Investment expenses ATP</td>
<td>552</td>
<td>104</td>
<td>0.08%</td>
</tr>
<tr>
<td>Investment expenses subsidiaries</td>
<td>332</td>
<td>63</td>
<td>0.03%</td>
</tr>
<tr>
<td>Investment expenses, external mandates</td>
<td>639</td>
<td>120</td>
<td>0.07%</td>
</tr>
<tr>
<td>Total investment expenses ex performance fees</td>
<td>1,522</td>
<td>287</td>
<td>0.16%</td>
</tr>
<tr>
<td>Performance fees, external managers</td>
<td>1,148</td>
<td>216</td>
<td>0.12%</td>
</tr>
<tr>
<td>Total annual expenses</td>
<td>2,679</td>
<td>543</td>
<td>0.30%</td>
</tr>
</tbody>
</table>

For a protracted period we have witnessed falling interest rates and lower expectations for future investment returns. This makes it even more important to keep expenses down in order to also create good pensions for our members in future.

Martin Præstegaard, Vice Chief Executive Officer, CFO, ATP
We digitalise and optimise

As a processing business, ATP primarily handles tasks characterised by large volume, objective case handling and which can be optimised and system supported or digitalised in other ways. ATP has also developed an expertise in developing and marketing large and complex IT systems and ensuring efficient system implementation. One of the objectives of the processing business is to ensure the lowest possible total expenses across several years, which is achieved via large-scale IT systems and a well-developed community of competencies in IT operations and development.

The low expenses, including in the longer term, realised by ATP as a processing business, are therefore achieved via a focus on stable, secure and cost-effective operation at the right quality and risk level.

Business processing, external parties is subject to ambitious demands for annual efficiency enhancements of 2 to 5 per cent in the underlying operations. In addition, increased group level expenses related to compliance, IT security, operational risk management, etc. are absorbed. This takes place in parallel with a high degree of development activity in recent years.

ATP administration takes place on a cost-recovery basis.

Cost-recovery based administration means that ATP invoices expenses to the schemes managed without profit margin. The basis for the schemes managed at ATP is that they are handled with the ambition that each year can and must show reduced operating costs. This is agreed with the respective clients in the annual budgets. The reason for the actual total expenses to still increase is that ATP is given new tasks to perform.

In 2020, all agreed expense budgets for the schemes managed were complied with.

Udbetaling Danmark – Public Benefits Administration’s IT success saves millions for municipalities every year

Udbetaling Danmark – Public Benefits Administration is a publicly regulated independent institution with regulatory responsibility. The authority was established when, in June 2010, the National Association of Local Authorities and the then government entered into an agreement to consolidate elements of municipal case handling functions under one authority, effective from the autumn of 2012.

The ATP Group was selected to manage Udbetaling Danmark – Public Benefits Administration based on many years' experience with similar tasks.

According to the political agreement Udbetaling Danmark – Public Benefits Administration would, after a two-year implementation period, save the municipalities DKK300 million per year on administration expenses. Udbetaling Danmark – Public Benefits Administration reached this target as planned at the start of 2015.

Part of the political agreement also involved that Udbetaling Danmark – Public Benefits Administration would offer by tender the large IT contracts which Udbetaling Danmark – Public Benefits Administration took over from the municipalities, thereby seeking to create savings for the state and municipal finances. The business case for putting contracts up for tender was the realisation of at least 25 per cent savings. This target was reached in 2020 with savings of 30 per cent.

All of Udbetaling Danmark – Public Benefits Administration’s IT support has been replaced since 2014 and future-secured during the years until 2020, and the task of finding the best and least expensive IT solution was solved in 2020 with the implementation of the IT system to handle payments of state and disability pensions. The complete implementation of all the new systems has been completed in parallel with paying out DKK 230 billion to 2.4 million beneficiaries each year without any significant disruptions.

Implementing large, public IT systems is a very complex exercise involving both financial risks and risks relative to the many citizens who receive benefits every month. This makes it a major achievement that Udbetaling Danmark – Public Benefits Administration also succeeded in offering the large IT contracts by tender, thereby seeking to create savings for the state and municipal finances.

The outcome is that IT costs have been significantly reduced, to the benefit of the state and the municipalities who fund Udbetaling Danmark – Public Benefits Administration.

Total annual IT operations expenses have decreased by DKKm 264, and the realised IT savings of 30 per cent exceed the original target (25 per cent).
Governance & Risk Management
Controlling the risk

It is crucial for ATP to have a safe and high level of risk management and governance. This is why ATP is focused on identifying risks, being ready to manage unforeseen events and to ensure that roles and responsibilities are clear.

Why is this so important?
Safe governance and risk management are some of the preconditions for ATP to be able to ensure the basic financial security and to be a trusted company. This assists in securing a good, risk-adjusted return and the trust of the world around us and ATP’s members.

Safe governance must be an integral component of the company and be included in the value chain from board level and to all employees and business partners. ATP’s governance ambition must reflect that the demands that the surroundings make on ATP and that ATP makes on others are handled responsibly.

Risk management concerns all risks that might affect ATP, which means both investment, pension, operational and regulatory risks. ATP has established a risk management system which via policies, processes and reporting ensures that a total overview is created of ATP’s risks. This involves measure such as identification, measurement, handling, monitoring, control and reporting of risks – both known risks and risks that could potentially affect ATP.

ATP strives, within the framework of balanced cost effectiveness, to achieve a safe and high level of management of ATP’s risks. The world changes quickly, and the same applies to the risks that could potentially affect ATP. This could, for example, involve cyber attacks or the development in stock markets during varying financial cycles. But it is also about being able to handle the increasing number of complex public administration tasks.

This is why it is important that ATP, in line with ATP’s risk policy, stays up-to-date with the risk potential and that ATP is prepared for a critical event. This means, among other things, performing the necessary risk assessments with a long-term, holistically oriented perspective when developing new solutions, just as contingency plans are continuously updated and tested.

In the following pages you can read more about how ATP handled, in particular, the investment and operation risks during the Covid-19 crisis.

Governance
ATP was established by legislative Act by the Danish Parliament, is self-governing and has its own decision-making processes and Supervisory Board. The arms-length principle that was a result of the establishment is both fundamental and crucial to ATP’s success.

ATP continuously focuses on ensuring that the role and responsibility division at board level and other governance relations are clear, accepted, and communicated to relevant stakeholders.

Governance & Risk Management
The precondition for supplying basic financial security is that ATP is trusted. This makes it important to ensure a reliable level of risk management and governance in everything that we do.

Most significant risks

= operational risks
Operational risks link to the risk of financial, reputational, compliance and personal data effects as the result of inappropriate or insufficient internal procedures, human error, system error or as a result of ATP’s collaboration with external business partners and suppliers. Operational risks include, for example, the potential for errors or delays in mass payments or cyber attacks. ATP aims for ambitious, cost-based, balanced, and sustainable risk management.

= investment risks
Investment risks are primarily market risks assumed by ATP in relation to investment and hedging activities. Market risks are risks related to market value changes of assets or liabilities as a result of changes in capital markets.

= regulatory risks
ATP’s operations extensively relate to schemes and tasks established and governed by statute. Activities may be set up, changed or discontinued by political decision – sometimes at relatively short notice. In the same way, ATP’s operations or parts thereof are affected when significant regulatory conditions change and new, tighter financial, administrative or other requirements are imposed on ATP.

= pension risk
ATP disburses a monthly pension for as long as the members are alive. This makes life expectancy trends the greatest single risk for ATP. In addition to including the observed life expectancy development in calculations, ATP also considers expected future life expectancy improvements when measuring the pension liability relative to members. ATP’s method and model for this are based on information about its just over 5 million members supplemented by data regarding some 340 million inhabitants in 18 OECD countries.

Read more about ATP’s work on life expectancy predictions:
Investment risks

How did ATP manage investment risks during the strong financial market fluctuations?

Following many years of ever-growing equities markets combined with long-lasting interest rate drops, Covid-19 has reminded us all that financial markets can also realise substantial losses. Seen from a historic perspective, the market fluctuations were very substantial during Covid-19, and we have to go back to the time around the Lehman Brothers bankruptcy to find similar levels.

ATP continuously works on contingency plans for handling our investments during a crisis situation, which contributed to it being possible to navigate the crisis and retain the margin required to create a return when markets starting going up again.

To maintain a robust investment portfolio with a stable return and the greatest possible independence from cyclical variations, the investment portfolio is managed on the basis of a risk diversification strategy. Relative to actual diversification for ATP’s portfolio in 2020, government and mortgage bonds made DKK 15.0bn, and listed Danish equities made DKK 11.9bn. During the same period, infrastructure lost DKK 1.7bn and credit lost DKK 0.4bn. Also, listed international equities created a small positive return of DKK 0.2bn. This demonstrates how both bonds and geography help spread the portfolio risk in spite of great market pressures.

A risk balanced investment portfolio

ATP manages the invested capital with a risk focus. The overall principle for ATP’s risk management is that total risk (the risk consumption) must be aligned with the bonus potential. The terminology is that there must be “an appropriate level of risk”.

The bonus potential, which constitutes ATP’s free reserves, expresses the difference between the value of ATP’s total assets and the value of the members’ guaranteed pensions. The larger the bonus potential, the larger capacity ATP has to assume risks, including financial risks. Conversely, a smaller bonus potential will reduce the capacity to assume risk. ATP has designed its investment portfolio such that it is possible to significantly reduce the risk level and thereby protect the bonus potential optimally in case of financial unrest. This means that measures are implemented when the risk becomes too large relative to the size of the bonus potential. This partly mitigates the effect of losses.

A source of expected higher return is systematic utilisation of risk diversification. The best possible utilisation of the risk budget is obtained via a widely invested investment portfolio.

The dynamic risk level management combined with risk diversification enables ATP to utilise the risk budget efficiently. Dynamic adjustment of ATP’s risk level has been a fixed part of the investment approach at ATP for many years.

### The 2020 investment return of DKK 29.9bn consists of

<table>
<thead>
<tr>
<th>Investment Category</th>
<th>Return (DKK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and mortgage bonds</td>
<td>+15.0bn</td>
</tr>
<tr>
<td>Listed Danish equities</td>
<td>+11.9bn</td>
</tr>
<tr>
<td>Listed international equities</td>
<td>+0.2bn</td>
</tr>
<tr>
<td>Inflation-related instruments</td>
<td>+0.6bn</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>-1.7bn</td>
</tr>
<tr>
<td>Credit</td>
<td>-0.4bn</td>
</tr>
<tr>
<td>Private equities</td>
<td>+2.8bn</td>
</tr>
<tr>
<td>Other items</td>
<td>+0.2bn</td>
</tr>
<tr>
<td>Real estate</td>
<td>+1.2bn</td>
</tr>
<tr>
<td>Listed international equities</td>
<td>+0.2bn</td>
</tr>
<tr>
<td>Listed Danish equities</td>
<td>+11.9bn</td>
</tr>
<tr>
<td>Government and mortgage bonds</td>
<td>+15.0bn</td>
</tr>
<tr>
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</tr>
<tr>
<td>Other items</td>
<td>+0.2bn</td>
</tr>
</tbody>
</table>
Practice makes perfect
As mentioned, it is important for ATP to ensure a safe and high level of risk management in order to prevent ATP being badly affected by unforeseen events. We continuously keep track of all identified top risks and implement contingency plans during “peacetime” in order to be prepared for “wartime”.

ATP has long been working with information and cyber security
Our information security work is based on continuous identification, control, monitoring and risk management of current risks and on determining appropriate mitigating control and security measures. This ensures that ATP does not assume greater risk than is acceptable.

Since March 2020, the Covid-19 situation has caused changes in employee working situations, and the number of active home workplaces has been increased to cover almost all 3,000 ATP employees. This presents some new requirements related to information and cyber security, and we focus on measures that provide increased protection against the threats specific to this situation. Security measures include data encryption such that data is secure in case of theft or attempted wire tapping, increased awareness of phishing, handling confidential, print-based information, and information about handling their work computer at home. These initiatives, together with existing measures, contribute to ATP being well prepared for this new working situation in terms of security, regardless of its duration.

Based on the desire for continued strengthening of ATP’s maturity and work with information and cyber security, external maturity assessments are performed on an on-going basis, and the results from recent years show a strengthening of organisational maturity which contributes to a stronger security level.

Based on internal as well as external assessments and tests combined with contingency exercises and ATP’s work with assessing and monitoring the security environment, initiative areas continue to be identified that help to ensure that the security level aligns with the risk profile desired by the Supervisory Board.

Establishing home workplaces for 3,000 employees presented extra information and cyber security needs
Attractive place to work
Competent and motivated employees with a high level of professionalism is a precondition for ATP to be able to realise the business targets.

Purpose is the driving force

ATP has approximately 3,000 employees distributed among eight locations nationwide. They are a diverse lot, with everything from investment experts to customer advisors and canteen staff to graduates, lawyers, economists and vulnerable citizens being reintroduced to the labour market.

No matter if one just started as a trainee or holds a PhD in Quantum Physics and regardless of whether one is in a business area or a staff function, we all share one thing: ATP’s purpose: To ensure basic financial security for Danes. This is what we each contribute to.

There is a meaning
ATP’s special role in society means that as a company, a place of work and as employees we have been given a very clear purpose and great responsibility. Having such a clear purpose is both a gift and a great obligation to a company, as it motivates and commits us at the same time. Both in relation to the company and the individual employee, in relation to the decisions that we make, the tasks that we perform and how we act in the society that we are a part of. And finally, how, as a place of work, we take responsibility.

Ambitions
ATP’s ambition is to be a professional beacon in the fields of pension, investment and management. This requires that we are able to maintain and develop ATP as an attractive place to work, retaining and attracting competent, responsible and committed employees. For ATP, being an attractive place to work involves a high level of professionalism, interesting tasks and community spirit. The same applies to good working conditions, which supports commitment and positive results, good recruiting options and low staff turnover.

An attractive place to work is where you create the results together. We do this by creating frameworks that allow everyone to apply their competencies. Clear career paths and relevant development opportunities for both employees and managers are also preconditions for ATP being and remaining an active option for talented and ambitious employees who seek a working life with meaning.

Balance
The same applies to flexibility and space of the ambitions and overall state of life of the individual. Without compromising on productivity results, or deadlines, there has to be a place for the employee whose ambition is to fully commit to their career and who seeks greater challenges and responsibility. Just as there is a place for the employee who uses their commitment and professionalism to perform their tasks with quality and efficiency without being wedded to the job 24/7.

As an employer, ATP wishes to create the space and opportunity for employees to pursue their professional ambitions and to create results for the benefit of ATP and the individual employee. And no matter who you are or what life-stage you are at, there are plenty of opportunities at ATP. Whether you want to try your hand at management or concentrate on becoming a specialist. Or whether you want to be a part of large, complex development projects – perhaps as a young graduate looking for a steep learning curve. Or whether you already have many years’ experience and perhaps think that now is the time to slow things down a little.

"Taking responsibility is one of our core values. And responsibility in particular is absolutely essential. Both in terms of the health and safety of our employees – and in relation to making active and constructive contributions to society at large.
Bård Grande, Chief HR Officer, ATP"
A diverse working life

ATP’s responsibility, as mentioned, also extends to the workplace. Diversity and diversity of working life are central elements for ATP’s committed and professionally competent employees who put in a lot of effort and make a difference. But responsibility also extends to special efforts which benefits our employees, our company and society in general.

10th anniversary and still a success
In 2010, ATP’s diversity effort led to the establishing of Fase+. This is a department in which the precondition for recruitment is that the employee needs extra help to enter or return to the labour market. Employees participating in this scheme are men and women of a non-western background, vulnerable young people and people with mental illness. The aim of Fase+ is to help the employees to manage a job or an education on normal or special conditions and thus becoming self-supporting. This is achieved via Fase+ performing a number of service and administration tasks. In return, ATP releases resources with other employees, who can then focus completely on their core tasks.

ATP sabbatical
On the face of it, this does not sound efficient. But it is – our very special service team consisting of young people taking a sabbatical year. The service team helps with answering telephone calls and performing administrative tasks across all benefits, primarily in Udbetaling Danmark – Public Benefits Administration. This part of customer service has approximately 130 full-time employees, 120 of whom are students on a sabbatical year. The average age is around 20 and the young people are typically employed for one to two years. They are quickly trained to be able to perform the less complex tasks. The young team contributes to a high level of productivity and low costs, benefiting ATP. This also provides ATP with a useful window display relative to attracting new talents – and perhaps to welcome them back when they finish their education. For the young people, the benefit lies in having an interesting, developing job and a study break before deciding on their future plans. As the employment cannot extend beyond two years, we ensure that the young people continue their education. The concept, which has developed from 20 to now more than 100 young employees, is in its fifth year and is an example of creatively satisfying company requirements and showing responsibility by giving the young people a good start on a hopefully long and positive working life.
Diversity does not just happen

It has to be as attractive for women as for men to work at ATP and to develop their talents and pursuing, for example, their management ambitions. Generally speaking, there is a reasonable gender split at ATP, but the challenges of the financial industry related to attracting, retaining and developing female talents are also reflected in ATP’s Pensions & Investments activities. This applies both in respect of employees generally and at management level.

ATP would like to change this. That is why in September 2020 we launched a tailor-made, women-only scheme. The purpose is to provide talented women the opportunity and support to realise their ambition and potential. The purpose is also to highlight female role models in the organisation and thereby inspire others to assume a management role. And finally it allows ATP to access talents of both genders and thereby unleash the untapped potential in this part of the business. The scheme is at the same time intended to ensure that workplace is competitive and attractive to our talented colleagues, now and in the future.

The internal training and development program is called Accelerate and focuses on all female talents in ATP who are willing to take their next career step. The program gives participants the opportunity to develop their skills together with other, likeminded women. Each of the women will be followed by a member of the Executive Board of the Pension & Investments business and will have access to other relevant key individuals who can make a positive difference in the women’s development.

Management will be selecting the participants based on their results and potential. The target group differs from the ATP talent program by the fact that participants are further along in their working life and exclusively women.

Group 1, starting in 2020 and finishing in 2021, is a pilot project that will be evaluated both by participants and managers. There is a total of eight participants in the program that will last for six months and include tests, individual coaching and group training sessions.

To ATP, it is not about quotas or special treatment. It is about being ambitious on behalf of all our employees – across genders and competencies and across the group. But since we have much too few women in one part of the business, there is a strong need to highlight the impact they can make.

Accelerate objectives
- More equal distribution between female and male managers in Pensions & Investments. The current distribution is 12 per cent women and 88 per cent men. The general distribution of women and men for the business area is 26 per cent women and 74 per cent men.
- More female applicants
- More women with management ambitions
- Visible female role models

Eight women participate in the Accelerate pilot project aimed at supporting women’s career ambitions in the financial sector – and at ATP. From left: Jette Lindhard (UKON), Cathrine Jakobsen, Senior Risk Analyst, Risk & Valuation; Sabine Calmer Braad, Senior Director, Global Direct Investments; Nina Krogholm, Senior Director, OpRisk & Regulatory Implementation; Susanne Range Lund; Director, ESG; Caroline Keegan Andersen, Senior Portfolio Manager, Hedging & Treasury; Helle Lindberg, Senior Director, Business Analysis; Camilla Fredigaard Larsen, Senior Director and Chief Actuary, Pensions, Lotte Kempflar, Director, P&I Legal (not shown), and Marie-Louise Lomborg, P&I HR. The program is managed by Marie-Louise Lomborg, P&I HR and Jette Lindhard, UKON.

It is extremely motivating to be given such a unique opportunity where my personal development is a focal point together with a small group of committed, like-minded colleagues. To me, it is also a sign of personal recognition.

Sabine Calmer Braad, Senior Director, Global Direct Investments.
Attractive place to work

= graduates
In 2020, 27 new graduates started working at ATP. This is the biggest group since we established our graduate education in 2014. This year’s group come from seven different universities, covering the study areas medicine, physics and nanotechnology, communication, law and political science, financing, innovation, and business intelligence.

= young professionals
In 2020, we set up Young Professionals – a professional and social community for young employees in group functions. Everyone is below the age of 35. In total, 70 people take part in the professional and social community which holds 3-4 annual events with relevant internal and external topics. A similar community was established in Pensions & Investments in 2017. This has 45 participants.

= manager and employee development
There has been focus on manager and employee development in 2020. Due to Covid-19, ATP’s HR department has focused on creating a relevant online program. They have succeeded, and throughout the year all managers have completed two online modules with the focus on their roles and responsibilities relative to developing their employees. The program focus has been development centred on the employees’ core tasks. This is to ensure relevant development that directly contributes to creating value.

= certification
Customer focus is important to ATP. And in order to ensure that our Customer Advisors have a common approach to the good customer experience, ATP implementing Customer Advisor certification in 2019. To begin with, the ambition is that all Customer Advisors in Udbetaling Danmark – Public Benefits Administration are certified. This affects 900 employees distributed across ATP’s centres nationwide. The target is to have 50 per cent certified before the end of 2021.

= satisfaction
In 2020, we had reason to be delighted about the annual employee satisfaction survey. We believe that happy employees create value, but in light of the many Covid-19 related challenges, the result was anticipated with some apprehension. In spite of all the working from home, online meetings, the lack of social contact with colleagues, very few social and professional highlights and shared experiences, satisfaction among ATP employees is very high. With a response rate of 93 per cent, the conclusion is that both the joy at work and loyalty have increased among employees. This year, employees were also asked whether management has shown appropriate care and attention in relation to Covid-19 and whether management has handled the Covid-19 situation well, and whether they have received sufficient, timely, and relevant information about Covid-19. All three questions have been answered with a very clear “Yes”.

= ambassadors
When you want to call attention to yourself, but have no marketing budget, it is good to have committed employees who are happy to act as ambassadors for their place of work. Our ambassador network was established this year. It consists of colleagues from all parts of the business who take the time to spread the ATP message. Thanks to them, our stories about results, our social responsibility and our good place to work have reached all corners of LinkedIn and Facebook.

= young at ATP
It is important to ATP to also have an eye out for young talents and for the responsibility involved in training and developing them. One of the entry points to ATP is the traineeship. In 2020, ATP had a total of 33 trainees employed. Another way is to spend a sabbatical year at ATP. For this purpose, we have set up a special service team as part of our customer service, consisting of young people who have completed their secondary education and need a break before progressing in the education system. We have had a total of 120 employed this year.

= a helping hand
Fase+ is a small department of ATP in which employees need a helping hand to enter the labour market. Participants in the scheme are men and women of a non-western background, vulnerable young people and mentally ill persons who are all associated with the scheme for two years. From its gentle beginnings in 2010 until 2020, a total of 230 people have been employed under Fase+, and of all those participants 65 per cent have either moved on to employment or education in or outside of ATP.

Diversity
ATP strives to be a company with diversity - both in terms of competencies, background, education and age.

= senior scheme
In 2020, approximately 400 employees made use of the option of 5 annual days off for seniors paid for by the company. Days off for seniors are reserved for colleagues who have turned 59.

= certification
Result and outlook
The result for the year was a profit of DKK 20.3bn. Reserves – the bonus potential – stood at DKK 146.2bn at the end of 2020, and guaranteed pensions totalled DKK 813.6bn. Net assets thus totalled DKK 959.8bn.

For 2020, ATP has reserved DKK 14.6bn for tax on pension savings returns.

Based on an ambition of the best possible safeguarding of the long-term real value of pensions, the Supervisory Board has set a long-term performance target for investment and hedging activities after tax. For 2020, seen separately, the target was DKK 13.9bn, and with profit on investment and hedging activities of DKK 17.6bn, this target for the year was more than achieved. The result is considered to be very satisfactory, particularly in the light of a very turbulent year. Considered across the latest 5-year period, we also exceeded our target result.

In order to maintain an appropriate margin for investment activities to hedge the real value of future pensions, particularly in the light of the strong increase in the value of guaranteed pensions and continued uncertainty related to Covid-19, the Supervisory Board has decided to not increase pensions in 2020.

Events after the reporting date
From the reporting date until the date of the presentation of this annual report, no events have occurred that would materially affect the assessment of the annual report.

Corporate Social Responsibility
ATP’s statutory statement and progress report for the UN Global Compact can be found at → www.atp.dk/en/responsibility-reports-and-publications

Corporate governance
ATP’s corporate governance framework is set out in the Danish ATP Act. For further information on ATP’s corporate governance, including compliance with the Recommendations on Corporate Governance, remuneration policy and remuneration report, see → www.atp.dk/en/dokument/remuneration-report-2020
ATP’s management

Board of Representatives

Chairman:

Chairman of the Supervisory Board
Torben M. Andersen

Employer representatives:

Appointed by the Confederation of Danish Employers (DA):
CEO (Chief Executive Officer) Jacob Holbraad
CEO (Chief Executive Officer) Lars Sandahl Sørensen
CEO (Chief Executive Officer) Brian Mikkelsen
Professional Board Member Anne Broeng
CEO (Deputy Director) Steen Nielsen
Deputy Director Camilla Khokhar
Deputy CEO Pernille Knudsen
General Manager Steen Müntzberg
Executive Secretary Christina Bjømbak Hallstein
General Manager Charlotte Vester

Appointed by the Danish Minister of Finance:
Professional Board Member Vibeke Krag

Appointed by Danish Regions:
Region Representative Carsten Kissmeyer

Appointed by Local Government Denmark (LGDK):
Mayor Ole Vive
Mayor Peter Rahbæk Juel

Appointed by the Danish Employers’ Association for the Financial Sector (FA):
CEO (Chief Executive Officer) Mariane Dissing

Employee representatives:

Appointed by Danish Trade Union Confederation, FH:
President Lizette Risgaard
Vice President Bente Sorgenfrey
Vice President Arne Greven
CEO (Chief Executive Officer) Jan Walther Andersen
President Kim Simonsen
President Ole Weihlast
President Claus Jensen
President Per Christensen
President Jørgen Juul Rasmussen
President Else Rimpler
President Benny Andersen
President Grete Christensen
President Gordon Ørskov Madsen

Appointed by the Danish Association of Managers and Executives (LH):
Deputy CEO Bodil Nordestgaard Ismiris

Appointed by the Danish Confederation of Professional Associations (Akademikerne):
President Lars Qvistgaard

Supervisory Board

Chairman:

Chairman of the Supervisory Board
Torben M. Andersen

Employer representatives:

Chief Executive Officer
Jacob Holbraad

Chief Executive Officer
Lars Sandahl Sørensen

Chief Executive Officer
Brian Mikkelsen

Chief Executive Officer
Lars Sandahl Sørensen

Major Peter Rahbæk Juel

Vice President
Bente Sorgenfrey

Vice President
Arne Grevsen

President
Lizette Risgaard

President
Kim Simonsen

President
Lars Qvistgaard

Executive Committee
Torben M. Andersen (Chairman)
Jacob Holbraad
Lizette Risgaard

Audit Committee
Jacqueline Holbraad (Chairman)
Torben M. Andersen
Lizette Risgaard

Risk Committee
Torben M. Andersen (Chairman)
Anne Broeng
Jan Walther Andersen
Group management, etc.

Bo Foged, CEO (Chief Executive Officer)

Group management (left to right)
Carsten Bødø, Executive Vice President, Udbetaling Danmark – Public Benefits Administration
Martin Præstegaard, Deputy CEO, Chief Financial Officer
Anne Kristine Axelsson, Executive Vice President, Pension & Social Security
Bo Foged, CEO (Chief Executive Officer)
Mikkel Svenstrup, Chief Investment Officer
Annemette Møesgaard, Executive Vice President, Communication & External Relations
Kim Kehlet Johansen, Executive Vice President, Risk & Compliance, Chief Risk Officer

Chief Actuary
Camilla Fredsgaard Larsen
The Supervisory and Executive Boards have today considered and adopted the annual report of ATP for the financial year 1 January to 31 December 2020.

The consolidated financial statements and the parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme’ (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedsedets Tillægspension).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group’s and ATP’s assets, liabilities and financial position as of 31 December 2020 and of the financial performance and cash flows of the Group and ATP for the financial year 1 January to 31 December 2020.

In our opinion, the management’s statement also provides a true and fair description of the development in the Group’s and the Parent Company’s operations and financial conditions, and a description of the most significant risks and uncertainties that may affect the Group and the Parent Company.

We recommend that the annual report be adopted by the Board of Representatives.

Copenhagen, 10 February 2021

CEO and CFO: 

Bo Foged
Chief Executive Officer

Martin Præstegaard
Deputy CEO and CFO

Supervisory Board: 

Torben M. Andersen
Chairman of the Supervisory Board

Jacob Holbroad
Member of the Supervisory Board

Anne Broeng
Member of the Supervisory Board

Lizette Risgaard
Member of the Supervisory Board

Jon Walther Andersen
Member of the Supervisory Board

Lars Sandahl Sørensen
Member of the Supervisory Board

Vibeke Krog
Member of the Supervisory Board

Bente Sorgenfrey
Member of the Supervisory Board

Kim Simonsen
Member of the Supervisory Board

Brian Mikkelsen
Member of the Supervisory Board

Peter Rohbaek Juel
Member of the Supervisory Board

Arne Grevsen
Member of the Supervisory Board

Lars Qvistgaard
Member of the Supervisory Board

Adopted by the Board of Representatives.

Hillerød, 10 February 2021

Board of Representatives: 

Torben M. Andersen
Chairman of the Board of Representatives
In addition to the companies listed above, the Group includes two companies without activities and general partner companies for the support of limited partner and partnership companies.
# Income statement

## Group ATP

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 2020</th>
<th>ATP 2020</th>
<th>Group 2019</th>
<th>ATP 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Returns on investment activities</td>
<td>29,301</td>
<td>29,430</td>
<td>40,032</td>
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<tr>
<td>3</td>
<td>Investment activity expenses</td>
<td>(886)</td>
<td>(552)</td>
<td>(462)</td>
</tr>
<tr>
<td>4</td>
<td>Tax on pension savings returns concerning investment activities</td>
<td>(4,338)</td>
<td>(4,338)</td>
<td>(5,683)</td>
</tr>
<tr>
<td></td>
<td>Income tax concerning investment activities</td>
<td>(48)</td>
<td>(48)</td>
<td></td>
</tr>
<tr>
<td><strong>Investment activity results</strong></td>
<td></td>
<td></td>
<td>24,637</td>
<td>24,541</td>
</tr>
<tr>
<td><strong>Hedging activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Returns concerning hedging activities</td>
<td>66,484</td>
<td>65,464</td>
<td>86,710</td>
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<tr>
<td>4</td>
<td>Tax on pension savings returns concerning hedging activities</td>
<td>(10,172)</td>
<td>(10,172)</td>
<td>(13,267)</td>
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<tr>
<td>10</td>
<td>Change in guaranteed benefits due to change in discount rate and maturity reduction</td>
<td>(56,807)</td>
<td>(56,807)</td>
<td>(72,337)</td>
</tr>
<tr>
<td><strong>Results of hedging of guaranteed benefits</strong></td>
<td>(495)</td>
<td>1,106</td>
<td>(495)</td>
<td>1,106</td>
</tr>
<tr>
<td>10</td>
<td>Change in guaranteed benefits due to yield curve break</td>
<td>(9,523)</td>
<td>(9,523)</td>
<td>(9,248)</td>
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<tr>
<td>2</td>
<td>Hedging activity results</td>
<td>(7,018)</td>
<td>(7,018)</td>
<td>(4,142)</td>
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<tr>
<td><strong>Investment and hedging activity results</strong></td>
<td>17,619</td>
<td>29,903</td>
<td>17,523</td>
<td>29,749</td>
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<td><strong>Pension</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>15</td>
<td>Contribution</td>
<td>10,744</td>
<td>10,816</td>
<td>10,984</td>
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<tr>
<td>10</td>
<td>Change in guaranteed benefits due to contributions and pension benefits</td>
<td>8,239</td>
<td>8,099</td>
<td>8,239</td>
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<tr>
<td>3</td>
<td>Pension activity expenses</td>
<td>(210)</td>
<td>(210)</td>
<td>(210)</td>
</tr>
<tr>
<td></td>
<td>Other items</td>
<td>6</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td><strong>Pension activity results before change in life expectancy</strong></td>
<td>1,599</td>
<td>912</td>
<td>1,599</td>
<td>912</td>
</tr>
<tr>
<td>10</td>
<td>Change in guaranteed benefits due to life expectancy update</td>
<td>1,130</td>
<td>3,231</td>
<td>1,130</td>
</tr>
<tr>
<td><strong>Pension activity result</strong></td>
<td>2,729</td>
<td>4,143</td>
<td>2,729</td>
<td>4,143</td>
</tr>
<tr>
<td><strong>Administration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Other income</td>
<td>2,297</td>
<td>2,436</td>
<td>2,305</td>
</tr>
<tr>
<td>4</td>
<td>Other expenses</td>
<td>(2,297)</td>
<td>(2,435)</td>
<td>(2,306)</td>
</tr>
<tr>
<td><strong>Administration activity result</strong></td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Result before bonus</strong></td>
<td>20,347</td>
<td>34,047</td>
<td>20,251</td>
<td>33,893</td>
</tr>
<tr>
<td><strong>Bonus addition for the year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td>20,347</td>
<td>34,047</td>
<td>20,251</td>
<td>33,893</td>
</tr>
<tr>
<td><strong>Minority interests' share of net profit for the year</strong></td>
<td>99</td>
<td>154</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>ATP's share of net profit for the year</strong></td>
<td>20,248</td>
<td>33,894</td>
<td>20,251</td>
<td>33,893</td>
</tr>
<tr>
<td><strong>Allocated profit</strong></td>
<td>20,347</td>
<td>34,047</td>
<td>20,251</td>
<td>33,893</td>
</tr>
</tbody>
</table>
## Statement of financial position

### Group

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and on-demand deposits</td>
<td>11,451</td>
<td>7,020</td>
<td>9,717</td>
<td>5,021</td>
</tr>
<tr>
<td>Loans to group subsidiaries</td>
<td>2,887</td>
<td>2,681</td>
<td>2,166</td>
<td>1,978</td>
</tr>
<tr>
<td>Receivables from group subsidiaries</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Tax receivable on pension savings returns and income tax</td>
<td>288</td>
<td>307</td>
<td>288</td>
<td>306</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>2,887</td>
<td>2,718</td>
<td>2,887</td>
<td>2,718</td>
</tr>
<tr>
<td>Receivables from credit institutions</td>
<td>37,165</td>
<td>33,417</td>
<td>37,165</td>
<td>33,238</td>
</tr>
<tr>
<td>Other receivables</td>
<td>11,532</td>
<td>14,094</td>
<td>11,223</td>
<td>13,782</td>
</tr>
<tr>
<td>Total payables and accrued income</td>
<td>1,003</td>
<td>938</td>
<td>954</td>
<td>935</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>1,141,955</strong></td>
<td><strong>1,026,539</strong></td>
<td><strong>1,140,345</strong></td>
<td><strong>1,024,472</strong></td>
</tr>
</tbody>
</table>

### EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th><strong>Financing activities</strong></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and fees received</td>
<td>10,597</td>
<td>10,009</td>
<td>10,597</td>
<td>10,009</td>
</tr>
<tr>
<td>Pension benefit payments</td>
<td>(17,197)</td>
<td>(17,029)</td>
<td>(17,197)</td>
<td>(17,029)</td>
</tr>
<tr>
<td>Pension activity expenses paid</td>
<td>(210)</td>
<td>(180)</td>
<td>(210)</td>
<td>(180)</td>
</tr>
<tr>
<td>Interest income received in respect of pension activities</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Interest expenses paid in respect of pension activities</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td>Total pension provisions</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>1,151</strong></td>
<td><strong>1,140,335</strong></td>
<td><strong>1,140,335</strong></td>
<td><strong>1,024,472</strong></td>
</tr>
</tbody>
</table>

### Cash flow statement

<table>
<thead>
<tr>
<th><strong>Cash flows from operating activities</strong></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and fees received</td>
<td>10,597</td>
<td>10,009</td>
<td>10,597</td>
<td>10,009</td>
</tr>
<tr>
<td>Pension benefit payments</td>
<td>(17,197)</td>
<td>(17,029)</td>
<td>(17,197)</td>
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</tr>
<tr>
<td>Pension activity expenses paid</td>
<td>(210)</td>
<td>(180)</td>
<td>(210)</td>
<td>(180)</td>
</tr>
<tr>
<td>Interest income received in respect of pension activities</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Interest expenses paid in respect of pension activities</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>1,140,335</strong></td>
<td><strong>1,140,335</strong></td>
<td><strong>1,024,472</strong></td>
<td><strong>1,024,472</strong></td>
</tr>
</tbody>
</table>

The cash flow figures cannot be derived directly from the figures of the consolidated financial statements and ATP’s figures. Cashflows from financing activities include a loan from a minority shareholder which as of 31 December 2020 comprised DKKm 248 compared with DKKm 268 as of 31 December 2019. In 2020, DKKm 13 was repaid on the loan.
This section includes the financial statement notes considered by the management to be important to provide an insight into ATP and the ATP Group.

The notes include, i.a., investment returns and hedging activity results as well as information regarding expenses and tax, etc.

The section also includes information regarding investment assets and risk management.

84  Note 1 – Returns on investment activities
86  Note 2 – Hedging activity results
88  Note 3 – Expenses
90  Note 4 – Tax
92  Note 5 – Equity investments
94  Note 6 – Bonds and loans
96  Note 7 – Investment properties
98  Note 8 – Financial derivatives
100 Note 9 – Fair value
102 Note 10 – Pension provisions
106 Note 11 – Risk management
108 Note 11a – Market risks and currency risks
110 Note 11b – Credit risks
111 Note 11c – Liquidity risks
In 2020, the investment portfolio returned DKK 29.9bn before tax and expenses. The total ATP Group investment activity result after expenses and tax was DKK 24.8bn in 2020.

Investment portfolio losses as a result of the heavy fall in the financial markets during the first part of the Covid-19 crisis were more than regained during the remaining part of the year. Looking at the year as a whole, the largest positive contribution came from the returns on investments in government and mortgage bonds and listed Danish equities, while infrastructure investments generated the largest negative return.

The infrastructure investments portfolio generated the largest negative contribution, while investments in listed Emerging Markets gave the largest positive return contribution, while especially the holdings in Ørsted A/S and Vestas Wind Systems A/S generated a return of DKK 0.7bn.

Inflation-related instruments, consisting of commodities-related financial contracts, index-linked bonds, and inflation swaps generated a total return of DKK 0.6bn.

Investments in credit generated a return of DKK (0.4bn.). These investments consist partly of bonds issued by companies with low credit ratings or developing nations, partly of financial derivatives, which generated a return of DKK (1.1bn.). Also included are loans to credit institutions and funds that invest, among other things, in bank loans and corporate loans, which generated a return of DKK 0.7bn.

Inflations-related instruments generated a return of DKK 11.9bn. Especially the holdings in Ørsted A/S and Vestas Wind Systems A/S generated a return of DKK 1.4bn. Index-linked bonds and inflation swaps generated a return of DKK 0.2bn. The holding primarily consists of externally managed portfolios. The portfolio also includes index-linked bonds and inflation swaps as a result of the use of derivative financial instruments 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.

Real estate investments generated a return of DKK 1.2bn. The investments are made via direct ownership of properties, via joint ventures, or indirectly via investments in private real estate funds. Direct as well as indirect investments are made both in Denmark and abroad.

The global equities portfolio consists of externally managed portfolios. The portfolio includes exposure via financial derivatives, generated returns of DKK 14.9bn. Especially the holdings in Danske Bank A/S and Carlsberg A/S generated DKK 0.2bn. The holding primarily consists of stocks in listed international equities and private equities, generated a return of DKK 11.9bn. Especially the holdings in Ørsted A/S and Vestas Wind Systems A/S generated a return of DKK 1.4bn. Index-linked bonds and inflation swaps generated a total return of DKK 0.6bn.

Inflation-related instruments generated a return of DKK 11.9bn. Especially the holdings in Ørsted A/S and Vestas Wind Systems A/S generated a return of DKK 1.4bn. Index-linked bonds and inflation swaps generated a return of DKK 0.2bn.

In 2020, ATP generated an investment return before tax and expenses of DKK 29.9bn, compared with DKK 40.7bn in 2019.
Note 2: Hedging activity results

The hedging portfolio consists of bonds and interest rate swaps to hedge the interest rate risk on guaranteed benefits up to 40 years, and an internal loan to the investment portfolio equivalent to the value of the guaranteed benefits extending beyond 40 years. For this loan, the hedging portfolio receives interest of 3 per cent which is also the fixed rate of interest used for discounting the guaranteed benefits beyond 40 years.

Hedging portfolio interest rate swaps do not tie up liquidity to the same extent that bonds do. Funds not tied up in the hedging portfolio can be allocated to loans for investing in the investment portfolio. A market rate is paid to the hedging portfolio on the funds borrowed by the investment portfolio.

Hedging is planned to ensure that the market value of the hedging portfolio after tax is expected to fluctuate in line with the guaranteed benefits when interest rates change.

Changes to the calculation rate of interest, yield curve break, and maturity reduction increased the guaranteed benefits, generating a result of DKK (63.3bn), while the hedging portfolio increased in value and generated a positive return after tax of DKK 56.3bn. These movements were primarily due to the continued drop in interest rates.

Hedging generated total returns of DKK (7.0bn), equivalent to (0.9) per cent of the guaranteed benefits. The loss means that funds were transferred from the bonus potential to the guaranteed benefits, but this does not affect ATP’s aggregate assets. In case of unchanged market interest rates, the break in the yield curve at 40 years will also result in future hedging activity losses. The losses will, however, decrease, as over time, ATP will have fewer guarantees with a 40 year maturity. This is due to the change in the product in 2015, when the guaranteed return on new ATP contribution payments will be fixed for 15-year periods.

The hedging portfolio value without the effect of the yield curve break increased in step with the guaranteed benefits and the hedging thus once more worked as intended to protect the guarantees.

Hedging activity results and change to guaranteed benefits, accumulated 2016-2020

ATP yield curve at year-end 2020

Guaranteed benefits are calculated at fair value and the proportion of the year’s fair value hedging which can be attributed to changes in the calculation interest rate and maturity reduction are recognised under “Hedging activity results”. Other changes to guaranteed benefits are recognised in “Pension activity results”.

Financial assets in the hedging portfolio are also recognised and measured at fair value and value adjustments are recognised under “Hedging activity results”.

(0.9) per cent result relative to guaranteed benefits
Note 3: Expenses

Expenses in the ATP Group are distributed among the business areas Investments, Pension, and Business Processing, external parties.

Distribution of expenses between the different areas is based on time registration and expense allocation based on the Activity Based Costing model. Distribution of expenses intends to ensure that there is no cross-subsidisation between the different areas.

Group investment expenses amount to DKKm 886. This is a reduction relative to last year of DKKm 51, equal to 5 per cent. The reduced level is primarily due to reduced external mandates and that funds are instead included directly in ATP’s statement of financial position. To this is added the indirect investment expenses and indirect performance fees which are deducted from ATP’s investment return in private equity investments. The statement of annual expenses in per cent stated in the chapter ‘Balanced cost efficiency’ in the management’s review includes the indirect investment expenses and performance fees.

Expenses related to Pension, which include administration activity expenses for the management of ATP Livslang Pension (Lifelong Pension), was DKKm 210 in 2020, which is at the same level as 2019. Expenses related to Pensions represent 0.02 per cent relative to net assets. Pension expenses have been significantly reduced over several years, primarily due to ATP harvesting the benefits of stable IT support.

In 2020, expenses of DKK 2.3bn were paid in relation to business processing for external parties, which are off-set by equal income. Continued efficient operations have continuously absorbed additional expenses for compliance, IT security, operational risk management, etc., while, there has been a high level of development activity with the addition of new administration tasks in recent years. 2020 saw implementation of the last subject area system for running tenders for Udbeleading Danmark – Public Benefits Administration IT systems, which taken as a whole is expected to result in reduced IT expenses for municipalities. Seniorpension has been prepared for managing, with operations set up with ATP as administrator and allocator of pensions from 1 January 2021.

ATP is once again able to keep its administration activity expenses low, as ATP Livslang Pension (Lifelong Pension) is a collective scheme and a relatively simple product.

Pension expenses are expected to increase slightly in the years to come, primarily as the result of participating in shared public digitalisation initiatives during the investment phase.

The Group’s business processing for external parties include work for state bodies, municipalities and labour and management.

In 2020, expenses of DKK 2.3bn were paid in relation to business processing for external parties, which are off-set by equal income. Continued efficient operations have continuously absorbed additional expenses for compliance, IT security, operational risk management, etc., while, there has been a high level of development activity with the addition of new administration tasks in recent years. 2020 saw implementation of the last subject area system for running tenders for Udbeleading Danmark – Public Benefits Administration IT systems, which taken as a whole is expected to result in reduced IT expenses for municipalities. Seniorpension has been prepared for managing, with operations set up with ATP as administrator and allocator of pensions from 1 January 2021.

In addition, there has been focus on handling Covid-19 related tasks such as paying out holiday allowances, paying DKK 1,000 to citizens on benefits, implementing the tripartite ERS (AUB) agreement on assistance for apprentices and trainees, etc.

ATP Group Annual Report

Full-time staff distributed across Denmark

In 2020, ATP and the ATP Group only had employees in Denmark, distributed across locations in Vordingborg, Holstebro, Haderslev, Aalborg, Frederikshavn, Aarhus, Copenhagen and the head office in Hillerød.

Management remuneration details can be seen in Note 18.

For further information regarding ATP employees, see ATP’s responsibility report, available at:


ATP’s responsibility report is not an audit subject.
ATP pays Danish tax on pension savings investment returns, no matter where in the world the returns are generated. Danish pension savings investment returns were DKK 14.5bn for 2020, and the total for the past 5 years is DKK 50.9bn.

ATP is taxed in Denmark pursuant to the Pension Returns Tax Act. The tax on pension savings returns is calculated on the basis of ATP’s total return on assets. The rate of tax is 15.3%. The taxation basis is calculated on the accrual basis, and therefore includes both realised and non-realised returns, but exclusive of deductible interest and asset management costs.

The calculated tax on pension savings returns is partially reduced by an amount equal to ATP’s international tax payments so that double taxation of ATP’s returns is minimised. International taxation consists primarily of pay-as-you-earns taxes on dividends and interest and tax on American commercial income and is generated by ATP’s investments in international listed equities and unlisted investments in, among other things, properties, infrastructure and capital funds.

In addition to tax on pension savings returns, payments to the Danish state also include corporation tax, VAT and labour market contributions paid on behalf of members of their ATP contribution payments and personal taxes withheld and paid on behalf of own employees. As a global investor, ATP also pays taxes in several places abroad. In 2020, ATP’s total tax contribution was DKK 22.8bn.

Read about ATP’s tax policy and the work performed by ATP to implement its tax policy in investments and in establishing national and international collaboration in the tax area.

→ www.atp.dk/en/tax-policy

ATP’s tax policy is not an audit subject.

During the past 10 years, ATP has set aside DKK 94.4bn for PAL tax in the financial statements.

Note 4: Tax

The overview above only includes tax on ATP’s and the ATP Group’s own activities and investments. Tax paid locally by Danish and international companies in which ATP and the ATP Group has invested is therefore not included.
Note 5: Equity investments

The listed equity investment holding has increased by DKK 50bn, primarily due to a net addition of DKK 40bn, while the fair value adjustment for the year amounts to DKK 10bn. The net addition primarily relates to international equities.

The figure below shows the geographical distribution of the ATP Group’s listed equities portfolio as of 31 December 2020.

Distribution by country of listed equities

<table>
<thead>
<tr>
<th>Country</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>17%</td>
</tr>
<tr>
<td>Sweden</td>
<td>6%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>14%</td>
</tr>
<tr>
<td>USA</td>
<td>24%</td>
</tr>
<tr>
<td>Japan</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>31%</td>
</tr>
</tbody>
</table>

Private equity investments and associates, distributed by type

<table>
<thead>
<tr>
<th>Type</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>40%</td>
</tr>
<tr>
<td>Infra-structure</td>
<td>35%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>5%</td>
</tr>
<tr>
<td>Property</td>
<td>5%</td>
</tr>
<tr>
<td>Forestry</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

In 2020, ATP has put DKKm 600 into Northvolt which aims to set up a factory for the production of lithium batteries. The factory will be run by hydro power, and the vision is to manufacture the most sustainable electric vehicle batteries in the world.

Equity investments, equity investments in associates and joint ventures, and equity investments in subsidiaries are recognised and measured at fair value with value adjustment via the income statement.

In 2020 saw net disposals of DKK 3bn, while the value adjustment for the year was DKK 1bn.

Equity investments, equity investments in associates and joint ventures, and equity investments in other unobservable inputs are recognised and measured at fair value. Significant accounting estimates are associated with the measurement of private equity investments when the valuation is based on unobservable inputs. The management assesses whether the valuation methods and inputs applied by the external managers are relevant, but also whether adjustments are to be made to the reported fair value due to events after the reporting period.

ESTIMATES are applied when selecting the valuation model and assessment of the most important unobservable input parameters, including multiples and discounting factors.

The majority of the Group’s private equity investments have been valued on the basis of reported fair value. In case of reported fair value, the management assesses whether the valuation methods and inputs applied by the external managers are relevant, but also whether adjustments are to be made to the reported fair value due to events after the reporting period.
Note 6: Bonds and loans

Bonds and loans have increased by DKK 27.6bn in 2020, due to net additions of DKK 6.2bn and positive price adjustments of DKK 21.4bn. Positive price adjustments are due to the continuously falling interest rate level.

The hedging activities also include a portfolio of 'green bonds' which at the end of 2020 stood at almost DKK 30bn. 'Green bonds' are characterised by the bond issuer using the loan to finance climate-friendly investments. A climate-friendly investment might be an investment in e.g. increased energy efficiency, hydro power and wind turbines.

Bonds and loans have increased by DKK 27.6bn in 2020, due to net additions of DKK 6.2bn and positive price adjustments of DKK 21.4bn. Positive price adjustments are due to the continuously falling interest rate level.

Green bonds
ATP has ESG requirements for green bonds, and we have therefore developed our own standards and requirements for issuers which exceed the 'Green Bond Principles' recommendations. ATP requires transparency related to the projects that the bonds help to finance and we also have requirements for the quality of the reporting.

The reliability report contains an in-depth discussion of ATP’s investments in ‘green bonds’.

Significant accounting estimates
Significant accounting estimates are associated primarily with the measurement of bonds and loans where the valuation is based on unobservable inputs.

Loans for which the valuation is based on observable inputs include bonds for which there have been no updated external prices inside the previous two trading days prior to the balance sheet date. A theoretical price is calculated for such bonds.

Loans are valued by discounting the future cash flows from the loans. The future cash flows are adjusted for changes in credit risk. The determination of the discount rate and the credit risk involves a degree of estimation, which affects the determination of the fair value.
Note 7: Investment properties

Real estate investments

Real estate investments in the ATP Group are managed by the subsidiary ATP Ejendomme. Real estate investments consist of 100 per cent owned properties which are primarily included in ATP Ejendomme’s balance sheet, but also investments in joint ventures with other pension funds and institutional investors. Property related investments represent DKK 48.5bn at the end of 2020.

Danish investment properties represent DKK 19.5bn and primarily consist of prime location office buildings in Copenhagen and Aarhus. International investment properties represent DKK 5.5bn and are located in Germany and Belgium. The remainder of the real estate portfolio is included under the accounts items private equity investments and equity investments in associated companies.

Location of properties in Denmark based on market value

Fair value is determined based on the following general rates of return:

<table>
<thead>
<tr>
<th>Group</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average rate of return</td>
<td>4.8%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Highest rate of return</td>
<td>8.0%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Lowest rate of return</td>
<td>3.8%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Changes in the required rate of return have the most significant impact on the fair value of the Group’s investment properties. The table below shows the details of the most significant breakdown of properties.

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
<th>Type</th>
<th>Number of properties</th>
<th>Number of ‘000 sq.m.</th>
<th>Market value (DKKm)</th>
<th>Weighted avg. rate of return (25 bps)</th>
<th>Sensitivity to change of 25 bps (DKKm)</th>
<th>Market value per sq.m. (DKK/ sq.m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>Greater Copenhagen area and Aarhus</td>
<td>Offices</td>
<td>45</td>
<td>534.0</td>
<td>13.7</td>
<td>4.4%</td>
<td>738</td>
<td>25,717</td>
</tr>
<tr>
<td>Denmark</td>
<td>Major Danish towns and cities</td>
<td>Retail properties</td>
<td>38</td>
<td>115.7</td>
<td>3.0</td>
<td>5.3%</td>
<td>133</td>
<td>25,651</td>
</tr>
<tr>
<td>Germany</td>
<td>Bremen</td>
<td>Shopping mall</td>
<td>1</td>
<td>94.9</td>
<td>1.6</td>
<td>4.8%</td>
<td>78</td>
<td>16,444</td>
</tr>
<tr>
<td>Belgium</td>
<td>Brussels</td>
<td>Offices</td>
<td>1</td>
<td>121.8</td>
<td>4.0</td>
<td>4.3%</td>
<td>220</td>
<td>32,568</td>
</tr>
<tr>
<td>Denmark</td>
<td>Greater Copenhagen area</td>
<td>Development projects</td>
<td>3</td>
<td>-</td>
<td>1.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Denmark</td>
<td>Greater Copenhagen area</td>
<td>Other¹</td>
<td>6</td>
<td>79.3</td>
<td>1.6</td>
<td>5.0%</td>
<td>75</td>
<td>19,755</td>
</tr>
</tbody>
</table>

¹ “Other” consists of 2 hotel properties, 1 car park building and 3 residential properties

Overall, for all types of properties, a 0.25 per cent (25 bps) increase in the required rate of return reduces the fair value of the Group’s investment properties as of 31 December 2020 by DKKm 1,224.

Significant accounting estimates

The fair value of the Group’s forestry investment properties is influenced by several factors, including discount factors applied and the weighting attached to the various valuation models.

The fair value of the Group’s investment properties is influenced by several factors, one of the most significant being the predefined required rate of return for the individual properties. The ATP Group uses external estate agents and their valuation of the market level to determine the required rate of return and the market rent. The determination of operating income is affected by estimates to a lesser extent, the determination of vacancy rent being the most significant one.
The ATP Group uses various financial derivatives such as interest rate swaps, stock index futures, inflation swaps and forward exchange contracts as part of its risk management and hedging and investment strategy. Using financial derivatives makes it possible to increase or reduce the exposure to market risks, currency and interest risks.

The most commonly used financial derivatives are interest rate swaps in Danish kroner and Euro, which are primarily used to hedge interest rate sensitivity related to guaranteed benefits, while forward contracts are used to hedge currency risks related to foreign currency investments. The investment portfolio uses stock index futures and equity-indexed options to achieve exposure to various stock indices, while sold Credit Default Swaps (CDS) are used to obtain credit exposure.

A characteristic of financial derivatives is that their value depends on developments in the value of an underlying instrument, index or the like. As the values change, security is provided to or from the counterparties. An increasing proportion of interest rate swaps and CDS’ are settled via central clearing houses such as London Clearing House.

Interest rate swaps help to hedge pension liabilities.
### Note 9: Fair value

Financial instruments are recognised at fair value or amortised cost in the statement of financial position. In the determination of fair value, the ATP Group uses a predefined hierarchy in IFRS 13, consisting of three levels.

#### ATP Group

<table>
<thead>
<tr>
<th>Quoted prices</th>
<th>Observable inputs</th>
<th>Unobservable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>629,671</td>
<td>600,224</td>
<td>14,370</td>
<td>13,109</td>
<td>17,319</td>
<td>16,998</td>
<td>657,980</td>
<td>630,329</td>
</tr>
<tr>
<td>Equity investments</td>
<td>127,509</td>
<td>71,321</td>
<td>1,264</td>
<td>78</td>
<td>58,579</td>
<td>67,041</td>
<td>187,352</td>
<td>139,346</td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>2,245</td>
<td>1,041</td>
<td>149,435</td>
<td>110,815</td>
<td>-</td>
<td>-</td>
<td>151,680</td>
<td>111,856</td>
</tr>
<tr>
<td>Loans</td>
<td>-</td>
<td>67</td>
<td>7</td>
<td>2,722</td>
<td>8,783</td>
<td>-</td>
<td>7,288</td>
<td>8,867</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>-</td>
<td>-</td>
<td>45,369</td>
<td>51,445</td>
<td>-</td>
<td>-</td>
<td>45,369</td>
<td>51,445</td>
</tr>
<tr>
<td>Investment properties</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25,906</td>
<td>24,069</td>
<td>25,906</td>
<td>24,069</td>
<td>-</td>
</tr>
<tr>
<td>Receivables from credit institutions</td>
<td>-</td>
<td>-</td>
<td>37,165</td>
<td>33,417</td>
<td>-</td>
<td>-</td>
<td>37,165</td>
<td>33,417</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>790,425</td>
<td>678,592</td>
<td>202,301</td>
<td>157,493</td>
<td>154,995</td>
<td>163,244</td>
<td>1,112,721</td>
<td>999,329</td>
</tr>
</tbody>
</table>

| **Liabilities** |      |      |      |      |      |      |      |      |
| Payables to credit institutions | - | - | 45,900 | 27,333 | - | - | 45,900 | 27,333 |
| Financial derivatives | 66 | 305 | 97,272 | 82,017 | - | - | 97,338 | 82,322 |
| **Total** | 66 | 305 | 143,202 | 109,350 | - | - | 143,269 | 109,656 |

#### ATP

<table>
<thead>
<tr>
<th>Quoted prices</th>
<th>Observable inputs</th>
<th>Unobservable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>621,906</td>
<td>593,581</td>
<td>10,049</td>
<td>8,696</td>
<td>17,824</td>
<td>16,970</td>
<td>649,779</td>
<td>619,257</td>
</tr>
<tr>
<td>Equity investments</td>
<td>124,509</td>
<td>75,578</td>
<td>1,250</td>
<td>78</td>
<td>27,682</td>
<td>29,714</td>
<td>153,441</td>
<td>105,370</td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>2,116</td>
<td>912</td>
<td>149,185</td>
<td>110,655</td>
<td>-</td>
<td>-</td>
<td>151,313</td>
<td>111,567</td>
</tr>
<tr>
<td>Loans, including loans to group subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,858</td>
<td>7,616</td>
<td>5,858</td>
<td>7,616</td>
<td>-</td>
</tr>
<tr>
<td>Investments in group subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>77,545</td>
<td>79,013</td>
<td>77,545</td>
<td>79,013</td>
<td>-</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,436</td>
<td>43,015</td>
<td>38,436</td>
<td>43,015</td>
<td>-</td>
</tr>
<tr>
<td>Receivables from credit institutions</td>
<td>-</td>
<td>-</td>
<td>37,165</td>
<td>33,238</td>
<td>-</td>
<td>-</td>
<td>37,165</td>
<td>33,238</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>740,532</td>
<td>670,081</td>
<td>197,859</td>
<td>152,987</td>
<td>167,070</td>
<td>176,928</td>
<td>1,113,261</td>
<td>998,670</td>
</tr>
</tbody>
</table>

| **Liabilities** |      |      |      |      |      |      |      |      |
| Payables to credit institutions | - | - | 45,728 | 27,246 | - | - | 45,728 | 27,246 |
| Financial derivatives | 39 | 249 | 97,820 | 81,029 | - | - | 97,869 | 82,178 |
| **Total** | 39 | 249 | 143,547 | 109,175 | - | - | 143,588 | 109,424 |

**Level 1** - quoted prices: The market price of the financial instrument is used where an active market exists. The market price may be in the form of a quoted price or price quotation.

**Level 2** - observable inputs: If a financial instrument is listed on a non-active market, the valuation is based on the most recent transaction price. Adjustments are made for subsequent changes in market conditions. For some financial assets and liabilities, no actual market exists. The valuation of these assets and liabilities is made using an estimated value based on recent transactions in similar instruments. For financial derivatives, valuation techniques based on market conditions, e.g. yield curves and exchange rates, are widely used.

**Level 3** - unobservable inputs: The valuation of certain financial assets and liabilities is based substantially on unobservable inputs. For a significant portion of the Group’s equity investments and a small portion of the Group’s bond portfolio, the valuation is based on unobservable inputs. Note 21 describes the individual valuation methods used to determine the fair value of these financial assets.

For assets and liabilities measured at fair value using unobservable input data (level 3), the movements for the year are as follows:

<table>
<thead>
<tr>
<th>ATP Group</th>
<th>Bonds</th>
<th>Equity investments</th>
<th>Loans, including loans to group subsidiaries</th>
<th>Investments in group subsidiaries</th>
<th>Investments in associates</th>
<th>Total</th>
</tr>
</thead>
</table>

Transfer out of level 3 in 2020 consists of equity investments which became listed during 2020. Transfer into level 3 in 2019 consists of equity investments and a portion of the Group’s bond portfolio which were previously valued at ‘purchase price for recent transactions’ (level 2), and which in 2019 are valued using a valuation method using unobservable inputs.

Transfer of losses and gains related to level 3 are recognised in the income statement in the items ‘Investment return’ and ‘Hedging activities return’.
Note 10: Pension provisions

Pension provisions consist of the sum of guaranteed benefits and the bonus potential. The guaranteed benefits are the pensions which have been promised to ATP’s members, while the bonus potential is the reserve that can be used to cover unforeseen lifetime expectancy improvements and bonus allocation.

<table>
<thead>
<tr>
<th>Guaranteed benefits</th>
<th>Group</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>DKKm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value as of 1 January</td>
<td>759,628</td>
<td>693,373</td>
<td></td>
</tr>
<tr>
<td>Change in guaranteed benefits for the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution</td>
<td>10,744</td>
<td>10,081</td>
<td></td>
</tr>
<tr>
<td>– of which transferred to bonus potential</td>
<td>(2,149)</td>
<td>(2,012)</td>
<td></td>
</tr>
<tr>
<td>Pension benefits</td>
<td>(17,180)</td>
<td>(17,054)</td>
<td></td>
</tr>
<tr>
<td>Change due to life expectancy update</td>
<td>(1,130)</td>
<td>(3,231)</td>
<td></td>
</tr>
<tr>
<td>Change due to change in calculation rate (including yield curve break)</td>
<td>(62,354)</td>
<td>73,530</td>
<td></td>
</tr>
<tr>
<td>Bonus addition for the year</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Change due to mortality reduction</td>
<td>976</td>
<td>4,055</td>
<td></td>
</tr>
<tr>
<td>Other changes</td>
<td>346</td>
<td>906</td>
<td></td>
</tr>
<tr>
<td>Total change in guaranteed benefits for the year</td>
<td>53,961</td>
<td>66,255</td>
<td></td>
</tr>
</tbody>
</table>

| Fair value as of 31 December | 813,589 | 759,628 |

Change in guaranteed benefits for the year, broken down by the Group’s and ATP’s business units:

| Hedging activities: | | | |
| Change in guaranteed benefits due to change in calculation rate and maturity reduction (excluding yield curve break) | 56,807 | 73,337 |
| Change due to change in calculation rate due to yield curve break | 6,523 | 5,248 |
| Total | 63,330 | 77,585 |

| Pension activities: | | | |
| Contribution | 10,744 | 10,081 |
| – of which transferred to bonus potential | (2,149) | (2,012) |
| Pension benefits | (17,180) | (17,054) |
| Other changes | 346 | 906 |
| Change in guaranteed benefits due to contributions and pension benefits | 8,239 | (6,039) |
| Change due to life expectancy update | (1,130) | (3,231) |
| Total | (9,369) | (11,330) |

| Other results: | | | |
| Bonus addition for the year | - | - |
| Total | 53,961 | 66,255 |

| Sensitivity disclosures: | | | |
| Total change in guaranteed benefits at the following change: | | | |
| Interest rate increase of 1 percentage point | (109,550) | (99,651) |
| Interest rate decrease of 1 percentage point | 136,104 | 123,390 |
| Mortality rate increase of 10 per cent | (26,551) | (25,000) |
| Mortality rate decrease of 10 per cent1 | 29,392 | 27,543 |

Discount rate The discount rate curve consists partly of a zero coupon yield curve, estimated using a recognised method, and partly a long-term required rate of return of 3 per cent. The assets included in the estimation basis reflect the relevant currency denomination, maturity and liquidity. The percentage breakdown of the assets included in the estimation basis is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps denominated in Danish kroner</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Interest rate swaps denominated in Euros</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Danish government bonds</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>German government bonds</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

For interest rate swaps denominated in Danish kroner (DKK), Danish CIBOR fixings and Danish swap rates are used. For Danish government bonds, yields on Danish government bonds with a term to maturity of more than two months are used. For German government bonds, yields on German government bonds with a term to maturity of more than two months are used. From 40 years onwards, the required rate of return of 3 per cent is used.

The table below shows selected points on the zero-coupon yield curve in 2020 and 2019:

<table>
<thead>
<tr>
<th>Yield curve points</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>(0.53)%</td>
<td>(0.54)%</td>
</tr>
<tr>
<td>5 years</td>
<td>(0.53)%</td>
<td>(0.30)%</td>
</tr>
<tr>
<td>10 years</td>
<td>(0.36)%</td>
<td>0.01%</td>
</tr>
<tr>
<td>15 years</td>
<td>(0.19)%</td>
<td>0.24%</td>
</tr>
<tr>
<td>20 years</td>
<td>(0.11)%</td>
<td>0.38%</td>
</tr>
<tr>
<td>30 years</td>
<td>(0.09)%</td>
<td>0.44%</td>
</tr>
<tr>
<td>Inflation</td>
<td>(0.4)%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

The ATG Group’s guaranteed benefits, calculated using the discount rates applied by ATP and EIOPA at year-end 2020, are available at ATP’s website ([www.atp.dk/en/dokument/pension-provisions-2020](http://www.atp.dk/en/dokument/pension-provisions-2020)).

Life expectancy
ATP guarantees lifelong pensions. Thus, increases in life expectancy have a major impact on the size of the guaranteed benefits. ATP uses the SAINT life expectancy model. SAINT is based on comparable data from 18 OECD countries. In addition to factoring in already observed increases in life expectancy, SAINT allows for projected future life expectancy increases. Projections of future increases in life expectancy involve a degree of estimation and uncertainty.

Guaranteed benefits are calculated at the fair value of the Group’s pension liabilities, i.e. the capital value of guaranteed benefits and rights (the pension commitment) assessed as a function of the current discount rate at the statement of financial position date. Guaranteed benefits include unpaid pension benefits due in respect of events having occurred during the financial year or earlier (provisions for claims outstanding).

The discount rate is calculated in accordance with the provisions reported to the Danish Financial Supervisory Authority, based on the zero coupon yield curve at the statement of financial position date, reflecting the term of the guaranteed benefits. The interest rate thus calculated is reduced by the tax rate in accordance with the Danish Pension Returns Tax Act, currently 15.3 per cent. The guaranteed rate of return on new ATP payments is determined for 15 years at a time, valid from 1 January 2015 onwards. So far, the rate of return has been fixed for life at the time of the contribution payment. The change only applies to members with more than 15 years until pension age. The pension guarantees issued before 2015 are not affected. At the end of each 15-year guarantee period, a new rate is fixed for a future period, based on the current market rate. This practice continues until the individual member is less than 15 years from pensionable age. At this point, a guaranteed return is fixed to apply for the rest of the member’s life.


Background about ATP Livslang Pension (Lifelong Pension) is not included in the audit.
Group financial statements

**Note 10: Pension provisions, continued**

The bonus potential as a proportion of the value of ATP’s guaranteed benefits is called the bonus rate. Developing and maintaining the bonus rate is very important for ATP’s future ability to generate returns and thereby delivering future bonus. Despite the increase in the bonus potential of DKK 76.2bn over the past 10 years, the bonus rate is at the same level as in 2010, as the interest rate reductions across the period have also doubled the value of the guaranteed benefits.

### Development in the bonus potential and the guaranteed benefits 2010-2020

![Graph showing the development in the bonus potential and the guaranteed benefits from 2010 to 2020.]

**ATP’s and the Group’s bonus potential are reserves that are not distributed to ATP’s members. The bonus potential is equivalent to the carrying amount of total assets related to ATP less guaranteed benefits and the sum of the carrying amount of ATP’s other liabilities. The reserves can be distributed as bonus, and bonus is transferred to the guaranteed benefits via the result.**

**Bonus policy**

The framework for ATP’s bonus policy is defined in section 163(3) of the Danish Consolidated Act on Arbejdsmarkedsfødt Tillægs pension (Bekendtgørelse af lov om Arbejdsmarkedets Tillægs pension), stipulating that the aim is to pursue a long-term bonus policy to ensure that the real value of pensions is preserved.

In 2017, ATP changed its bonus policy to the effect that the annual bonus decision is made on the basis of an overall assessment of a number of aspects of the bonus rate. The bonus rate is defined as bonus potential relative to guaranteed benefits.

With the exception of the distribution between ‘Retained earnings and revaluation reserves’, the bonus potential is identical for ATP and the Group. ‘Revaluation reserves’ in ATP are DKK 20 less than in the Group accounts and ‘Retained earnings’ are correspondingly larger.
Note 11: Risk management

ATP’s overall risks

The overall principle for ATP’s risk management is that total risk (the risk consumption) must be aligned with the bonus potential. The bonus potential, which constitutes ATP’s reserves, expresses the difference between the value of ATP’s total assets and ATP’s guaranteed benefits. The greater the bonus potential, the greater capacity ATP has to assume risks.

ATP’s Supervisory Board has defined a risk budget which is the upper limit for the risk consumption. The risk budget for 2020 is defined as 50 per cent of the bonus potential and therefore changes dynamically in line with the bonus potential.

At the end of 2020, ATP’s bonus potential was DKK 146.2bn, meaning that the risk budget was DKK 73.1bn.

ATP calculates risk consumption on a daily basis in an in-house developed model which includes risk across risk areas and indicates the average of the 1 per cent largest losses of bonus potential over a 3 month period (Expected Shortfall). ATP’s Supervisory Board has determined calculating principles for the model for calculating risk consumption in Risk Policy for ATP.

Market risk

Investment risks are primarily market risks assumed by ATP in relation to investment and hedging activities. Market risks are risks related to market value changes of assets or liabilities as a result of changes in capital markets, including interest, equities, currency and credit markets.

Return on the investment portfolio is primarily seen as compensation for assuming market risk. In order for the investment portfolio to generate sufficiently high returns, ATP therefore actively assumes a certain degree of market risk which is aligned with the bonus potential to prevent the risk of losses becoming too high. This is done by assigning a risk budget and risk diversification framework to the investment portfolio.

ATP invests in infrastructure, private equity, real estate and certain types of credit, and these investments are termed alternative investments. Risks associated with these investments are, to some extent, comparable with investments in traditional liquid investment assets and are therefore included in the four factors in the investment portfolio. To this should be added a number of risks associated with managing such investments, including the contractual basis for transactions and low market liquidity. ATP has many years’ experience with alternative investments and its procedures are continuously being developed and adjusted.

Longevity risk

ATP disburses a monthly pension for as long as the members are alive. Accordingly, increasing life expectancy (longevity risk) is the greatest pension risk facing ATP.

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

Provisions for longer life expectancy reduce ATP’s bonus potential, but in contrast with, e.g., investment losses, they do not reduce the members’ total assets. On the contrary, additional provisions as a result of longer life expectancy, reflect that ATP’s members are expected to live longer and provisions will therefore benefit ATP’s members.

Other Danish pension companies apply a model based on life expectancy preconditions developed by the Danish FSA for the use of those insured via the life and pension companies.

The Danish FSA’s life expectancy preconditions are a benchmark for current observed life expectancy, based on information from a number of Danish life insurance companies and broad-spectrum pension funds with a total of 2.9 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 about its 5.3 million members and partly on information about approx. 340 million inhabitants in 18 OECD countries. This means that different data are used when modelling life expectancy preconditions, just as the models themselves differ.

The model developed by ATP builds on the supposition that life expectancy in Denmark follows the same pattern as the 18 selected OECD nations and that the log in Denmark relative to the selective countries will be caught up over time. Data across the last 100 years show that those countries, generally speaking, have undergone the same life expectancy development, although there are differences between the countries on when and how swiftly those life expectancy improvements take place.

ATP includes international data in order to provide a stable prognosis for future life expectancy improvements.

The figure shows life expectancy for 65-year-old men and women using ATP’s and the Danish FSA’s model, respectively, for life expectancy presumptions, with the latter adjusted to the life expectancies observed by ATP. It can be seen that ATP’s life expectancy model projects higher increases in life expectancy than those envisaged by the Danish Financial Supervisory Authority’s (FSA) model.

Counterparty risks

The use of financial derivatives, especially for hedging purposes, represents a separate risk to ATP. Changes in the value of these instruments will generate a liability or a receivable between ATP and its counterparties. ATP can therefore suffer a loss if a counterparty reneges on their obligations.

In order to reduce counterparty risk, both ATP and its counterparties require that an agreement be concluded on collateral for mutual receivables.

Liquidity risk

ATP’s liquidity management ensures that ATP will, at all times, be able to meet any requirement for provision of liquidity or pledging of collateral. This applies both in the short term and in the longer term.

Currency exposure

ATP’s investments are usually hedged against currency fluctuations in Danish kroner and Euros. Thus, the exposure to currencies other than Danish kroner and Euros is limited. In light of the high degree of confidence in Denmark’s fixed price policy, ATP tolerates a significant exposure to the Euro.
Note 11a: Market risks and currency risks

Market risks in the investment portfolio
Market risks in the investment portfolio are managed based on a given risk budget and limits for risk diversification determined by the Supervisory Board. Market risks associated with the guaranteed benefits are managed in the hedging portfolio to ensure that the interest rate risk of the guaranteed benefits is hedged as best as possible.

Market risks for ATP are specified below. As ATP’s subsidiaries are included in the statement below and there are no significant minority interests in the subsidiaries, the market risks of the Group are identical to those of ATP.

A number of risk targets are used in the measurement of ATP’s market risks, including Expected Shortfall, which is a generally used target for risk in worst-case scenarios. Expected Shortfall over a three-month timeframe and a 1 percent quantile (2.5%, three months, 99 per cent) expresses the average of the 1 per cent worst losses over a three-month timeframe.

ATP’s market risk determined using Expected Shortfall

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December 2020</th>
<th>As of 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>57,057</td>
<td>43,398</td>
</tr>
<tr>
<td>Hedging activities</td>
<td>7,447</td>
<td>7,130</td>
</tr>
</tbody>
</table>

Market risks in the investment portfolio
ATP’s market risk primarily consists of market risks in the investment portfolio. ATP’s risk management provides a framework for the allocation of risk on the investment portfolio’s four risk factors with a view to ensuring appropriate diversification of ATP’s investments. The four risk factors are: ‘Equity factor’, ‘Interest rate factor’, ‘Inflation factor’ and ‘Other factors’. Risk allocation has been determined as each risk factor’s share of the sum of risk for the four risk factors. The ATP Supervisory Board has set a long-term guideline and upper and lower limits for each risk factor’s share of the overall risk of the investment portfolio.

Market risks in the hedging portfolio
Market risks in the hedging portfolio and the guaranteed benefits consist mainly of interest rate risks. The hedging ratio indicates the ability of the hedging portfolio to hedge the interest rate sensitivity of the guaranteed benefits.

DKK duration and hedging ratio

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December 2020</th>
<th>As of 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed benefits’ DKK duration after tax, DKKm</td>
<td>(122,959)</td>
<td>(111,646)</td>
</tr>
<tr>
<td>Hedging portfolio’s DKK duration after tax, DKKm</td>
<td>122,296</td>
<td>111,211</td>
</tr>
<tr>
<td>Hedging ratio in per cent</td>
<td>99.5</td>
<td>99.6</td>
</tr>
</tbody>
</table>

The DKK duration indicates the market value impact of a marginal change in interest rates, scaled to take into account a 1 per cent decline in interest rates.

Currency risks
ATP’s currency risks are, as a general rule, hedged in DKK and euros. However, a limit applies for the currency exposure to other currencies, as it may be inexpedient to hedge some currencies. As a general rule, emerging market currency exposure is not hedged.

ATP’s currency exposure as of 31 December 2020

<table>
<thead>
<tr>
<th>Currency</th>
<th>Currency exposure DKKm</th>
<th>Per cent of financial instruments measured at fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including foreign currency hedging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>299.8</td>
<td>27.9</td>
</tr>
<tr>
<td>USD</td>
<td>(5.6)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Total other currencies</td>
<td>4.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Excluding foreign currency hedging</td>
<td>ATP’s currency exposure DKKm</td>
<td>Per cent of financial instruments measured at fair value</td>
</tr>
<tr>
<td>Currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>290.1</td>
<td>30.0</td>
</tr>
<tr>
<td>USD</td>
<td>73.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Total other currencies</td>
<td>92.1</td>
<td>9.5</td>
</tr>
</tbody>
</table>
Note 11b: Credit risks

Credit and counterparty risks
As a part of ATP’s investment strategy, ATP actively assumes credit risks in the investment portfolio. The Group’s credit risks relate primarily to these actual credit investments. Credit investments comprise investments in corporate bonds, emerging market government bonds, credit funds, loans, etc.

In addition, the Group has a number of business-related credit risks (counterparty risks), including receivables, cash and cash equivalents and unlisted financial derivatives with a positive fair value.

Collateral
The ATP Group provides and receives assets as collateral from clearing centres and other counterparties when entering into financial transactions. The ATP Group is entitled to sell or repledge assets received. ATP’s counterparties are also entitled to sell or repledge the assets received when the ATP Group provides assets as collateral. Bonds and loans provided as collateral continue to be recognised in the Group’s statement of financial position.

Assets provided and received as collateral are specified in the table below:

<table>
<thead>
<tr>
<th>Assets provided as collateral:</th>
<th>Group</th>
<th>ATP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Bonds</td>
<td>66,987</td>
<td>46,207</td>
</tr>
<tr>
<td>Loans</td>
<td>832</td>
<td>1,637</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,155</td>
<td>1,019</td>
</tr>
<tr>
<td>Total assets provided as collateral</td>
<td>69,974</td>
<td>48,863</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets received as collateral:</th>
<th>Group</th>
<th>ATP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Bonds</td>
<td>59,062</td>
<td>66,799</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>164</td>
<td>131</td>
</tr>
<tr>
<td>Total assets received as collateral</td>
<td>60,126</td>
<td>66,930</td>
</tr>
</tbody>
</table>

Finally, ATP’s other portfolios of bonds involve a credit risk. As regards government bonds, excluding emerging markets, the credit risk is assessed as being close to zero, as 99 per cent of this portfolio consisted of German and Danish government bonds at year-end 2020. As regards mortgage bonds, bonds issued by international organisations (supranationals) and bonds issued by publicly guaranteed authorities (agencies), the credit risk is assessed as being moderate.

Market value as of 31 December

<table>
<thead>
<tr>
<th>Market value as of 31 December</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>DKKbn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit investments</td>
<td>38</td>
<td>40</td>
</tr>
<tr>
<td>Mortgage bonds</td>
<td>124</td>
<td>125</td>
</tr>
<tr>
<td>Government bonds excluding emerging markets</td>
<td>484</td>
<td>463</td>
</tr>
<tr>
<td>Bonds issued by supranationals or agencies</td>
<td>24</td>
<td>14</td>
</tr>
<tr>
<td>Unlisted financial derivatives net (before provision of collateral)</td>
<td>34</td>
<td>24</td>
</tr>
<tr>
<td>Unlisted financial derivatives net (other provision of collateral)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>Other receivables</td>
<td>14</td>
<td>17</td>
</tr>
</tbody>
</table>

The market value of credit investments includes CDS’ with a market value at year-end 2020 of DKK 2.0bn (2019: DKK 1.8bn) and a principal amount of year-end 2020 of DKK 77m (2019: DKK 58m). In addition, at year-end 2020, ATP had guarantees issued of DKK 3.7bn (2019: DKK 1.0bn).

Other receivables mainly consist of unsettled transactions, ATP contributions receivable and rent receivable based on a simplified provision matrix using a fixed provisions percentage depending on how many days the receivable remains overdue. The provision rate is based on historical data.
Other financial statement notes

This section contains Other financial statement notes pursuant to the information requirements related to international accounting standards or ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme’ (‘Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægs-pension’).

114 Note 12 - Financial assets and liabilities and returns
116 Note 13 – Interests in other companies
118 Note 14 - Contingent liabilities
119 Note 15 - Benefit payouts
120 Note 16 - Disclosures about offsetting
121 Note 17 - Related party transactions
122 Note 18 – Management remuneration and auditing fees
123 Note 19 - Five-year summary for ATP
124 Note 20 - Breakdown of ATP’s assets and their returns at market value
### Note 12: Financial assets and liabilities and returns

#### ATP Group

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets and liabilities measured at fair value over the income statement</strong></td>
<td>4,914</td>
<td>4,914</td>
</tr>
<tr>
<td>Cash and on-demand deposits</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Financial assets and liabilities at amortised cost</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,922</td>
<td>4926</td>
</tr>
</tbody>
</table>

#### Hedging activities

<table>
<thead>
<tr>
<th>Category</th>
<th>Interest income</th>
<th>Interest expenses</th>
<th>Market value adjustments</th>
<th>Interest income</th>
<th>Interest expenses</th>
<th>Market value adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>8,152</td>
<td>26,469</td>
<td>8,150</td>
<td>27,684</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans for investment activities</td>
<td>389</td>
<td>-</td>
<td>517</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables from and payables to credit institutions</td>
<td>265</td>
<td>(197)</td>
<td>29</td>
<td>(11)</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>4,585</td>
<td>(52)</td>
<td>32,880</td>
<td>5,324</td>
<td>-</td>
<td>45,319</td>
</tr>
</tbody>
</table>

**Financial assets and liabilities recognised at fair value in the income statement**

<table>
<thead>
<tr>
<th>Amount</th>
<th>2020 DKKm</th>
<th>2019 DKKm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and on-demand deposits</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Financial assets and liabilities at amortised cost</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,922</td>
<td>4,926</td>
</tr>
</tbody>
</table>

**Financial assets and liabilities at amortised cost**

<table>
<thead>
<tr>
<th>Amount</th>
<th>2020 DKKm</th>
<th>2019 DKKm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and on-demand deposits</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Financial assets and liabilities at amortised cost</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,376</td>
<td>13,376</td>
</tr>
</tbody>
</table>

**Financial assets and liabilities of associates and joint ventures**

<table>
<thead>
<tr>
<th>Amount</th>
<th>2020 DKKm</th>
<th>2019 DKKm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and on-demand deposits</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Financial assets and liabilities at amortised cost</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

Calculation of financial assets and liabilities and return distributed across accounts categories are only shown for the Group. ATP associates are measured at fair value in the income statement.
The ATP Group continuously invests in unlisted equity investments. Where the Group has a significant, but not controlling, interest, the companies are classified as associates/joint ventures. At www.atp.dk/en/dokument/breakdown-of-equities-2020 is a complete list of companies which the ATP Group has classified as associates and joint ventures, respectively. To follow are accounts information for the most significant associates/joint ventures, defined as companies in which the ATP Group’s share of the fair value is more than DKK 1bn. Also provided is summary information for non-significant associates/joint ventures. Information provided is as per the most recently published annual report.

### Financial information for significant associates and joint ventures

<table>
<thead>
<tr>
<th>DKKm</th>
<th>Current assets</th>
<th>Non-current assets</th>
<th>Current payables</th>
<th>Non-current payables</th>
<th>Revenue</th>
<th>Results after tax</th>
<th>Other comprehensive income</th>
<th>Total comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATPFA K/S</td>
<td>75</td>
<td>5,961</td>
<td>19</td>
<td>18</td>
<td>247</td>
<td>383</td>
<td>-</td>
<td>383</td>
</tr>
<tr>
<td>Danske Shoppingcentre P/S</td>
<td>146</td>
<td>14,466</td>
<td>203</td>
<td>210</td>
<td>720</td>
<td>686</td>
<td>-</td>
<td>686</td>
</tr>
<tr>
<td>Harbour P/S</td>
<td>5</td>
<td>2,397</td>
<td>1</td>
<td>-</td>
<td>95</td>
<td>97</td>
<td>-</td>
<td>97</td>
</tr>
<tr>
<td>Kastrup Airports Parent ApS</td>
<td>899</td>
<td>6,884</td>
<td>825</td>
<td>7,229</td>
<td>-</td>
<td>(571)</td>
<td>-</td>
<td>(571)</td>
</tr>
<tr>
<td>Redexis Gas S.A.</td>
<td>872</td>
<td>15,544</td>
<td>833</td>
<td>10,699</td>
<td>1,653</td>
<td>223</td>
<td>-</td>
<td>223</td>
</tr>
<tr>
<td>Queenspoint S.L.</td>
<td>55</td>
<td>1,647</td>
<td>14</td>
<td>376</td>
<td>6</td>
<td>154</td>
<td>-</td>
<td>154</td>
</tr>
<tr>
<td>Hancock Queensland Plantations Pty Ltd.</td>
<td>141</td>
<td>5,603</td>
<td>1,225</td>
<td>3,778</td>
<td>1,437</td>
<td>211</td>
<td>(11)</td>
<td>200</td>
</tr>
<tr>
<td>3i Managed Infrastructure Acquisitions LP</td>
<td>2</td>
<td>6,594</td>
<td>1</td>
<td>80</td>
<td>-</td>
<td>494</td>
<td>-</td>
<td>494</td>
</tr>
<tr>
<td>ATPPO Kgs. Nytorv A/S</td>
<td>3</td>
<td>2,265</td>
<td>48</td>
<td>1,323</td>
<td>105</td>
<td>74</td>
<td>-</td>
<td>74</td>
</tr>
<tr>
<td>Bridgwater Pure Alpha Major Markets, Ltd.</td>
<td>5,032</td>
<td>611</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>135</td>
<td>-</td>
<td>135</td>
</tr>
<tr>
<td>Basilisk Holdings Inc.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Colombo Topco Limited</td>
<td>37</td>
<td>2,657</td>
<td>37</td>
<td>-</td>
<td>-</td>
<td>115</td>
<td>-</td>
<td>115</td>
</tr>
<tr>
<td>EarlyBird S.C.A.</td>
<td>18</td>
<td>5,748</td>
<td>67</td>
<td>1,614</td>
<td>-</td>
<td>403</td>
<td>-</td>
<td>403</td>
</tr>
</tbody>
</table>

1Basilisk Holdings Inc. does not publish an annual report.

### Financial information for non-significant associates and joint ventures

<table>
<thead>
<tr>
<th>Results from continuing operations</th>
<th>Results after tax from discontinued operations</th>
<th>Other comprehensive income</th>
<th>Total comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates</td>
<td>84</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>501</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Financial information for significant associates and joint ventures

<table>
<thead>
<tr>
<th>DKKm</th>
<th>Current assets</th>
<th>Non-current assets</th>
<th>Current payables</th>
<th>Non-current payables</th>
<th>Revenue</th>
<th>Results after tax</th>
<th>Other comprehensive income</th>
<th>Total comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATPFA K/S</td>
<td>75</td>
<td>5,961</td>
<td>19</td>
<td>18</td>
<td>247</td>
<td>383</td>
<td>-</td>
<td>383</td>
</tr>
<tr>
<td>Danske Shoppingcentre P/S</td>
<td>146</td>
<td>14,466</td>
<td>203</td>
<td>210</td>
<td>720</td>
<td>686</td>
<td>-</td>
<td>686</td>
</tr>
<tr>
<td>Harbour P/S</td>
<td>5</td>
<td>2,397</td>
<td>1</td>
<td>-</td>
<td>95</td>
<td>97</td>
<td>-</td>
<td>97</td>
</tr>
<tr>
<td>Kastrup Airports Parent ApS</td>
<td>899</td>
<td>6,884</td>
<td>825</td>
<td>7,229</td>
<td>-</td>
<td>(571)</td>
<td>-</td>
<td>(571)</td>
</tr>
<tr>
<td>Redexis Gas S.A.</td>
<td>872</td>
<td>15,544</td>
<td>833</td>
<td>10,699</td>
<td>1,653</td>
<td>223</td>
<td>-</td>
<td>223</td>
</tr>
<tr>
<td>Queenspoint S.L.</td>
<td>55</td>
<td>1,647</td>
<td>14</td>
<td>376</td>
<td>6</td>
<td>154</td>
<td>-</td>
<td>154</td>
</tr>
<tr>
<td>Hancock Queensland Plantations Pty Ltd.</td>
<td>141</td>
<td>5,603</td>
<td>1,225</td>
<td>3,778</td>
<td>1,437</td>
<td>211</td>
<td>(11)</td>
<td>200</td>
</tr>
<tr>
<td>3i Managed Infrastructure Acquisitions LP</td>
<td>2</td>
<td>6,594</td>
<td>1</td>
<td>80</td>
<td>-</td>
<td>494</td>
<td>-</td>
<td>494</td>
</tr>
<tr>
<td>ATPPO Kgs. Nytorv A/S</td>
<td>3</td>
<td>2,265</td>
<td>48</td>
<td>1,323</td>
<td>105</td>
<td>74</td>
<td>-</td>
<td>74</td>
</tr>
<tr>
<td>Bridgwater Pure Alpha Major Markets, Ltd.</td>
<td>5,032</td>
<td>611</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>135</td>
<td>-</td>
<td>135</td>
</tr>
<tr>
<td>Basilisk Holdings Inc.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Colombo Topco Limited</td>
<td>37</td>
<td>2,657</td>
<td>37</td>
<td>-</td>
<td>-</td>
<td>115</td>
<td>-</td>
<td>115</td>
</tr>
<tr>
<td>EarlyBird S.C.A.</td>
<td>18</td>
<td>5,748</td>
<td>67</td>
<td>1,614</td>
<td>-</td>
<td>403</td>
<td>-</td>
<td>403</td>
</tr>
<tr>
<td>Casper TopCo SAS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1Basilisk Holdings Inc. does not publish an annual report.

### Casper TopCo SAS

Casper TopCo SAS is a newly formed company that has yet to publish its first annual report.
Note 14: Contingent liabilities

<table>
<thead>
<tr>
<th>Group</th>
<th>ATP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Investment and loan commitments</td>
<td></td>
</tr>
<tr>
<td>Investment commitments, equity investments</td>
<td>13,837</td>
</tr>
<tr>
<td>Investment commitments, property funds</td>
<td>1,081</td>
</tr>
<tr>
<td>Investment commitments, Danish properties</td>
<td>138</td>
</tr>
<tr>
<td>Investment commitments, infrastructure</td>
<td>4,442</td>
</tr>
<tr>
<td>Investment commitments, credit funds</td>
<td>2,937</td>
</tr>
<tr>
<td>Loan commitments, businesses</td>
<td>9,353</td>
</tr>
<tr>
<td>Loan commitments, credit funds</td>
<td>2,159</td>
</tr>
<tr>
<td>Investment commitments, group subsidiaries</td>
<td>-</td>
</tr>
<tr>
<td>Loan commitments, group subsidiaries</td>
<td>-</td>
</tr>
<tr>
<td>Other contingent liabilities</td>
<td></td>
</tr>
<tr>
<td>Rental/leasing liabilities and contractual liabilities related to the acquisition of intangible assets</td>
<td>411</td>
</tr>
<tr>
<td>Potential deferred tax related to properties</td>
<td>531</td>
</tr>
<tr>
<td>‘Letters of credit’ to businesses</td>
<td>629</td>
</tr>
<tr>
<td>Other contingent liabilities</td>
<td>0</td>
</tr>
</tbody>
</table>

ATP has joint VAT registration with a number of subsidiaries. These subsidiaries are jointly and severally liable for the payment of VAT and payroll tax included in the joint registration for VAT.

Owing to its size and business volume, the ATP Group is continually a party to various lawsuits and disputes. Cases are assessed on an ongoing basis, and pending lawsuits and disputes are not believed to have any significant impact on the financial position of the ATP Group.

1 As of 2001 and under certain conditions, the ATP Group is not subject to income tax on the activities of its subsidiary ATP Ejendomme A/S. If the conditions for tax exemption are not met, provisions are made for both current and deferred tax in the company. In 2020, ATP Ejendomme A/S met the conditions for tax exemption.

The accounting treatment of contingent assets and liabilities is based on an assessment of the expected outcome of the applicable contingency. If it is almost certain that a future economic benefit will flow to the ATP Group, the asset and the related income are recognised. If, on the other hand, it is probable that a future economic benefit will flow from the ATP Group when discharging the liability, the contingency is recognised as a liability. Where it is not possible to estimate an amount with sufficient certainty, or it is not possible to estimate the outcome of a given matter, information to this effect will be provided. Decisions relating to such matters may generate realised profits or losses in future accounting periods that exceed the amounts recognised in the financial statements.

Note 15: Benefit payouts

<table>
<thead>
<tr>
<th>Group</th>
<th>ATP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Personal pension (current)</td>
<td>16,082</td>
</tr>
<tr>
<td>Spouse pension (current)</td>
<td>7</td>
</tr>
<tr>
<td>Personal pension (capitalised)</td>
<td>71</td>
</tr>
<tr>
<td>Spouse pension (capitalised)</td>
<td>810</td>
</tr>
<tr>
<td>Child benefits (capitalised)</td>
<td>116</td>
</tr>
<tr>
<td>SUPP estate amount (capitalised)</td>
<td>34</td>
</tr>
<tr>
<td>Total benefit payouts</td>
<td>17,180</td>
</tr>
</tbody>
</table>

Benefit payouts comprise personal pensions paid, spouse pensions and capitalised benefits for the year. Benefits prepaid are accrued on the statement of financial position and presented under the item ‘Other prepayments’.
Note 16: Disclosures about offsetting

The ATP Group does not use offsetting in connection with the settlement of financial assets and liabilities. Thus, there is no difference between the columns ‘Recognised assets, gross’ and ‘Net amounts of financial assets presented in the statement of financial position’. The ATP Group extensively uses collateral provided to and from counterparties when entering into financial contracts. Net amounts thus indicate the exposure after provision of collateral. There are no disclosures specifically for the ATP Parent Company, as the disclosures in all material respects are identical to those provided for the Group.

Note 17: Related party transactions

ATP and the ATP Group

Related parties of the ATP Group are associates and joint ventures and independent schemes managed by ATP. Members of the ATP Supervisory and Executive Boards and their close family members are also regarded as related parties. Enterprises in which these persons have a controlling or significant interest are also regarded as related parties. No one is considered to have a controlling or significant interest in the Group.

ATP and the ATP Group have entered into the following related party transactions:

### 2020 ATP Group

#### Financial assets

<table>
<thead>
<tr>
<th>DKKm</th>
<th>Recognised assets, gross</th>
<th>Financial liabilities offset in the statement of financial position</th>
<th>Net amounts of financial assets presented in the statement of financial position</th>
<th>Financial instruments</th>
<th>Financial collateral</th>
<th>Net amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>151,680</td>
<td>-</td>
<td>151,680</td>
<td>(97,158)</td>
<td>(54,362)</td>
<td>161</td>
</tr>
<tr>
<td>Receivables from credit institutions</td>
<td>37,165</td>
<td>-</td>
<td>37,165</td>
<td>(15,628)</td>
<td>(21,537)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>188,845</td>
<td>-</td>
<td>188,845</td>
<td>(112,766)</td>
<td>(75,899)</td>
<td>161</td>
</tr>
</tbody>
</table>

#### Financial liabilities

<table>
<thead>
<tr>
<th>DKKm</th>
<th>Liabilities recognised, gross</th>
<th>Assets offset in the statement of financial position</th>
<th>Net amounts of financial liabilities presented in the statement of financial position</th>
<th>Financial instruments</th>
<th>Financial collateral</th>
<th>Net amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>97,338</td>
<td>-</td>
<td>97,338</td>
<td>(97,158)</td>
<td>(123)</td>
<td>58</td>
</tr>
<tr>
<td>Payables to credit institutions</td>
<td>45,330</td>
<td>-</td>
<td>45,330</td>
<td>(15,628)</td>
<td>(30,203)</td>
<td>81</td>
</tr>
<tr>
<td>Total</td>
<td>142,668</td>
<td>-</td>
<td>142,668</td>
<td>(112,766)</td>
<td>(30,345)</td>
<td>139</td>
</tr>
</tbody>
</table>

### 2019 ATP Group

#### Financial assets

<table>
<thead>
<tr>
<th>DKKm</th>
<th>Recognised assets, gross</th>
<th>Financial liabilities offset in the statement of financial position</th>
<th>Net amounts of financial assets presented in the statement of financial position</th>
<th>Financial instruments</th>
<th>Financial collateral</th>
<th>Net amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>111,856</td>
<td>-</td>
<td>111,856</td>
<td>(77,553)</td>
<td>(33,466)</td>
<td>837</td>
</tr>
<tr>
<td>Receivables from credit institutions</td>
<td>33,417</td>
<td>-</td>
<td>33,417</td>
<td>(8,124)</td>
<td>(24,293)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>145,273</td>
<td>-</td>
<td>145,273</td>
<td>(86,677)</td>
<td>(57,759)</td>
<td>837</td>
</tr>
</tbody>
</table>

#### Financial liabilities

<table>
<thead>
<tr>
<th>DKKm</th>
<th>Liabilities recognised, gross</th>
<th>Assets offset in the statement of financial position</th>
<th>Net amounts of financial liabilities presented in the statement of financial position</th>
<th>Financial instruments</th>
<th>Financial collateral</th>
<th>Net amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>82,322</td>
<td>-</td>
<td>82,322</td>
<td>(77,553)</td>
<td>(4,081)</td>
<td>668</td>
</tr>
<tr>
<td>Payables to credit institutions</td>
<td>27,333</td>
<td>-</td>
<td>27,333</td>
<td>(9,124)</td>
<td>(17,203)</td>
<td>285</td>
</tr>
<tr>
<td>Total</td>
<td>109,655</td>
<td>-</td>
<td>109,655</td>
<td>(86,677)</td>
<td>(22,004)</td>
<td>973</td>
</tr>
</tbody>
</table>

* Payables and receivables include positive/negative market values of intercompany forward transactions.

**Sales** to associates, joint ventures, group subsidiaries and schemes comprise a number of administration functions, including accounting functions, IT operations and development and staff administration etc.

Forward contracts, net, include net payments in respect of intercompany forward exchange transactions made by ATP on behalf of group subsidiaries. Also included is interest on loans to group subsidiaries totalling DKKm 76. (2019: DKKm 80) Loans are unsecured and are not written down.

Contributions include contributions of capital in group subsidiaries, associates and joint ventures, while distributions include distributions, including dividends. Contingent liabilities to associates, joint ventures and group subsidiaries consist of investment and loan commitments.

Related party transactions are settled on an arm’s length basis (market terms) or, in the case of group subsidiaries and schemes, on a cost-recovery basis.

Remuneration details for the Supervisory and Executive Boards are set out in note 18.
Note 18: Management remuneration and auditing fees

### Remuneration paid to CEO:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total remuneration</th>
<th>Of which pension contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>7.6</td>
<td>0.9</td>
</tr>
<tr>
<td>2020</td>
<td>7.6</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Bo Foged’s remuneration is unchanged from 2019 to 2020. The difference is caused by 5 weeks’ frozen holiday pay.

**Chief Executive Officer (CEO):**

Bo Foged, appointed as Acting CEO on 26 November 2018, confirmed in the position on 18 June 2019

Christian Hyldahl, CEO, departed 24 November 2018

**Total CEO**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total remuneration</th>
<th>Of which pension contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>7.6</td>
<td>0.9</td>
</tr>
<tr>
<td>2020</td>
<td>7.6</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Note 19: Five-year summary for ATP

### Financial highlights (DKKm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution</th>
<th>Pension benefits</th>
<th>Investment return</th>
<th>Total pension-related operating expenses</th>
<th>Pension-related profit</th>
<th>Net profit for the year</th>
<th>Bonus potential</th>
<th>Total pension provisions</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>10,744</td>
<td>11,705</td>
<td>16,878</td>
<td>12,219</td>
<td>34,645</td>
<td>9,737</td>
<td>20,517</td>
<td>1,024,472</td>
<td>1,060</td>
</tr>
<tr>
<td>2017</td>
<td>10,743</td>
<td>11,704</td>
<td>16,878</td>
<td>12,219</td>
<td>34,644</td>
<td>9,737</td>
<td>20,517</td>
<td>1,024,472</td>
<td>1,060</td>
</tr>
<tr>
<td>2018</td>
<td>10,742</td>
<td>11,703</td>
<td>16,877</td>
<td>12,218</td>
<td>34,643</td>
<td>9,736</td>
<td>20,516</td>
<td>1,024,471</td>
<td>1,060</td>
</tr>
<tr>
<td>2019</td>
<td>10,741</td>
<td>11,702</td>
<td>16,876</td>
<td>12,217</td>
<td>34,642</td>
<td>9,735</td>
<td>20,515</td>
<td>1,024,470</td>
<td>1,060</td>
</tr>
<tr>
<td>2020</td>
<td>10,740</td>
<td>11,701</td>
<td>16,875</td>
<td>12,216</td>
<td>34,641</td>
<td>9,734</td>
<td>20,514</td>
<td>1,024,469</td>
<td>1,060</td>
</tr>
</tbody>
</table>

**Note 19: Five-year summary for ATP**

**Pension Fund (ATP), Executive Order no. 570 of 2 June 2016.**

ATP does not apply the Danish FSA’s return ratio. The return ratio tends to over-reflect market value changes in ATP’s hedging portfolio, which will not notably affect the pensions promised. As the ratio does not allow for variance in the value creation of the guaranteed products, the ratio does not provide a complete picture of the value creation for ATP’s members for the individual year. However, in the very long term, the ratio reflects to a greater extent the value creation.
Note 20: Breakdown of ATP’s assets and their returns at market value

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Beginning of year</th>
<th>End of year</th>
<th>Return p.a. before tax on pension savings returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings</td>
<td>45,013</td>
<td>43,458</td>
<td>2.8</td>
</tr>
<tr>
<td>Listed equity investments</td>
<td>79,269</td>
<td>126,517</td>
<td>10.0</td>
</tr>
<tr>
<td>Unlisted equity investments</td>
<td>91,288</td>
<td>90,165</td>
<td>-0.5</td>
</tr>
<tr>
<td>Total equity investments</td>
<td>170,557</td>
<td>216,682</td>
<td>3.9</td>
</tr>
<tr>
<td>Government and mortgage bonds</td>
<td>593,482</td>
<td>608,129</td>
<td>5.3</td>
</tr>
<tr>
<td>Index-linked bonds</td>
<td>13,544</td>
<td>14,944</td>
<td>44.2</td>
</tr>
<tr>
<td>Credit bonds and emerging market bonds</td>
<td>29,865</td>
<td>26,967</td>
<td>-3.5</td>
</tr>
<tr>
<td>Loans etc.</td>
<td>10,022</td>
<td>7,910</td>
<td>-3.9</td>
</tr>
<tr>
<td>Total bonds and loans</td>
<td>646,913</td>
<td>657,950</td>
<td>6.4</td>
</tr>
<tr>
<td>Other investment assets</td>
<td>3,005</td>
<td>10,368</td>
<td>N/A</td>
</tr>
<tr>
<td>Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities</td>
<td>30,658</td>
<td>51,798</td>
<td>N/A</td>
</tr>
<tr>
<td>Total investment assets</td>
<td>896,146</td>
<td>980,227</td>
<td>10.9</td>
</tr>
</tbody>
</table>

The market value of individual portfolios, especially the index-linked bonds portfolio, includes financial derivatives for which the market value will typically be low, zero or negative. For this reason, the return ratio does not present an accurate view of the return.

Please refer to the description of ratios in Appendix 2 of ATP’s executive order on accounting issued by the Danish FSA (Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP), Executive Order no. 570 of 2 June 2016.)

1 The two asset classes ‘Other investment assets’ and ‘Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities’ only contain derivatives and their primary purpose is to hedge investment currency risk and guaranteed benefits interest risk respectively. It therefore does not make sense to state separate returns figures for these asset classes.
Accounting policies and significant accounting estimates and assessments

This section includes the overall description of accounting policies and significant accounting estimates and assessments.

128  Note 21 - Accounting policies
135  Note 22 - Significant accounting estimates and assessments
137  Note 23 - New accounting regulations
Note 21: Accounting policies

The consolidated financial statements and the annual report of ATP for 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme’ (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension).

When preparing the consolidated financial statements and the parent company financial statements, Management assumes a number of estimates and preconditions which affect the accounting value of assets and liabilities as well as income and expenses. Note 22 details the accounting assessments performed by Management in connection with the application of accounting policies and estimates which are considered important material for the preparation of the group financial statements and the parent company financial statements. Accounting estimates for specific items are set out in the individual notes.

With the exception of the implementation of new and revised accounting standards as described in note 23, the accounting policies are unchanged from 2019.

All figures are stated in DKKm, the totals stated are calculated on the basis of actual figures and the rounding off to nearest DKKm may result in minor differences between the sum of individual figures and totals stated.

Materiality in presentation

When preparing the consolidated financial statements and the parent company financial statements, Management performs an assessment about their presentation. In this context, it is taken into account that the content of the Group and parent company financial statements is significant to the reader. In the presentation of the Group’s and ATP’s assets, liabilities, financial position and performance, it is assessed whether it would be beneficial to aggregate less significant amounts. In the preparation of the notes, the focus is on ensuring that the content is relevant and the presentation is clear. Assessments are always carried out in relation to legislation, international accounting standards and guidelines and to ensure that the annual report provides an overall true and fair view.

The assessment of materiality and relevance in the presentation has resulted in changes to the presentation of several notes relative to the annual report for 2019. The altered presentation also includes the comparison figures in the relevant notes.

Consolidation

The consolidated financial statements comprise the financial statements of ATP, the Parent Company, and entities controlled by ATP. ATP controls an entity when ATP is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements are based on the financial statements of the Parent Company and the individual subsidiaries, prepared in accordance with the Group’s accounting policies. Upon consolidation, items of a uniform nature are added together and the following items are eliminated: intercompany income and expenses, equity holdings, intercompany balances and dividends, as well as realised and unrealised gains and losses on transactions between consolidated companies.

A group overview is available on page 76.

Foreign currency translation:

Functional currency and presentation currency

The consolidated financial statements are presented in Danish kroner (DKK), the functional currency and presentation currency of the Parent Company. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. A functional currency is determined for each of the Group’s reporting entities. All of the Group’s entities use Danish kroner (DKK) as their functional currency.

Conversion of transactions and amounts

Transactions in currencies other than the functional currency are foreign currency transactions. Foreign currency transactions are converted into the functional currency at the exchange rate prevailing at the transaction date. Investment assets, receivables and payables in foreign currencies are converted into the functional currency. The exchange rate at the date of financial transaction is the exchange rate prevailing at the transaction date. Investment assets, receivables and payables in foreign currencies are converted into the functional currency at the exchange rate prevailing at the statement of financial position date. realised and unrealised foreign exchange gains and losses are included in the income statement under ‘Investment return’ and ‘Return from hedging activities’.

Income statement

Returns on investment and hedging activities

Returns on investment and hedging activities include interest income, interest expenses, dividends and price adjustments on financial assets and liabilities included in the hedging portfolio and the investment portfolio, respectively. Returns on investment also include income from investment properties.

Income from investment properties

Income from investment properties is comprised of the rental income from investment properties for the year and sale of timber from forestry properties less property management and operating expenses for forestry properties.

Expenses

Expenses are allocated between the individual business units either as direct expenses or as an expense allocation based on ATP’s internal model for allocation of other expenses.

Investment activity expenses comprise expenses incurred to achieve the investment return for the year. These expenses include direct and indirect expenses related, for example, to pay and remuneration, custody expenses and transaction costs related to the purchase and sale of investment assets. Expenses incurred in investment subsidiaries are also included in these expenses for the Group.

Pension activity expenses comprise expenses incurred in connection with the administration of the ATP pension scheme, including SUPP (Supplementary Labour Market Pension Scheme for Disability Pensioners). These expenses include direct and indirect expenses related, for example, to pay and remuneration, IT operations, amortisation of internal development projects and depreciation on property, plant and equipment.

Administration activity expenses comprise expenses incurred in connection with the management of a number of large schemes. These expenses include direct and indirect expenses related, for example, to wages and remuneration, IT operations and amortisation of internal development projects.

Contribution

Contribution income is recognised as reporting is received. Contributions include the reported and claimed ATP contributions less labour market contribution and the year’s adjustment of amortisation on contributions receivable.

Payment of benefits

Pledged benefits comprise personal pensions paid, spouse pensions and capitalised benefits for the year. Benefits prepaid are accrued on the statement of financial position and presented under the item ‘Other prepayments’.

Other income

Other income includes income for the year from the sale of administration services to external clients as well as related parties. Also included is other customary income for the year that cannot be attributed to pension and investment activities.

Other expenses

Other expenses include expenses incurred for the sale of administration services. Also included are other customary expenses for the year that cannot be attributed to Pensions & Investments under the item ‘Other expenses’.

Tax on pension savings returns

Tax on pension savings returns comprises current tax on pension savings returns for the year, changes in deferred tax on pension savings returns, and prior year adjustments. If any, Tax on pension savings returns is allocated between investment, hedging and pension activities based on the return allocated to investment, hedging and pension activities, respectively.

Current tax liabilities in respect of pension savings returns and current tax receivable in respect of pension savings returns are recognised in the statement of financial position as calculated tax on pension savings returns adjusted for interim payment of tax on pension savings returns.

Deferred tax assets in respect of pension savings returns, including the tax value of tax loss carryforwards, are included at the value at which the asset is expected to be realisable – either by elimination in pension savings returns tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax on pension savings returns is measured in accordance with current tax rules and at the tax rates that are expected to apply in the periods in which the temporary differences reverse.

Corporate income tax

Tax on results for the year, comprising current tax for the year, changes in deferred tax and prior-year adjustments, if any, is recognised in the income statement. Tax payable and deferred tax are recognised under payables, while tax receivable and deferred tax assets are recognised under assets.

Statement of financial position

Financial assets and liabilities

Purchase and sale of financial assets and liabilities are recognised on the trade date.
Note 21: Accounting policies, continued

Financial assets and liabilities are recognised at fair value on the trading date. Subsequent to initial recognition, financial assets and liabilities are measured at fair value or amortised cost.

Financial assets
The following financial assets are measured after the initial recognition at fair value as a result of ATP’s business model:

- Bonds
- Loans, including loans to group subsidiaries
- Receivables from credit institutions (reverse transactions)

The assets and liabilities specified above are managed and assessed based on fair value in accordance with the Group’s risk management strategy, and are therefore measured at fair value with value adjustment via the income statement.

The financial assets below are not based on cash-flows consisting of payment of principal and interest, and are therefore measured at fair value after initial recognition:

- Equity investments, including investments in subsidiaries and associates and joint ventures
- Financial derivatives

Other financial assets are measured after initial recognition of amortised cost price.

Financial liabilities
Financial derivatives with a negative market value must be recognised at fair value, while it has been decided to recognise payables to credit institutions resulting from repo transactions at fair value with value adjustment through the income statement as they are managed and assessed based on fair value in accordance with the Group’s risk management strategy.

Other financial liabilities are subsequently measured at amortised cost.

Adjustment of the fair value of financial assets and liabilities is recognised in the income statement under ‘Investment returns’ and ‘Returns from hedging activities’ on an ongoing basis. As regards payables to credit institutions resulting from repo transactions, the portion of the fair value changes that is attributable to changes in ATP’s own credit risk is recognised in “Other comprehensive income.” Due to ATP’s strong financial position and the short maturity of the repo transactions, the impact of ATP’s credit risk is assessed as being insignificant.

Determination of fair value
For financial assets and liabilities that are traded in a market, the official market price is used. Measuring listed equities and financial assets and liabilities is based on closing prices from relevant stock exchanges while bid prices are used for listed bonds. If, in respect of bonds, there have been no updated external prices inside the previous two trading days prior to the balance sheet date, a theoretical price is calculated and the bonds are registered as “observable input” in the fair value hierarchy.

For other financial assets and liabilities, the fair value determination represents ATP’s most objective estimate of the current fair value of financial assets and liabilities, based on the most unambiguous and uniform guidelines possible and, to some extent, supported by management estimates. When determining these estimates, the following methods are applied:

- Bonds, interest-based investment assets and liabilities
- Financial derivatives
- Receivables from and payables to credit institutions

For investments in bonds for which no active market exists, yield curves with the addition of yield spreads and investment-specific premiums are used.

Equity investments, including investments in subsidiaries and associates and joint ventures.

Private equity investments consist of investments in portfolio funds, direct equity investments, direct equity investments in portfolio companies and real estate funds.

Portfolio funds
For a significant portion of the investments in portfolio funds, the valuation is based on reporting received from portfolio funds. Equity investments in portfolio funds are generally measured using the IPEV Valuation Guidelines under which equity investments are measured at fair value on the reporting date. Listed equity investments in portfolio funds are measured at the closing rate of the relevant stock exchange. For unleisted equity investments for which no quoted price exists, the equity investments are measured on the basis of the latest market price – either in connection with a round of capital increases resulting in a change in ownership or in connection with a partial sale, based on the value of comparable companies.

Direct equity investments
Direct private equity investments are measured using one of the following methods: a) multiple analysis where the ratio of the value of comparable listed companies relevant key figures for these companies is used in the valuation of the company in question; b) if sufficient comparable companies cannot be found, a ‘turn-of-the-pants’ valuation is performed where each business unit of the company in question is measured separately; c) for new investments, the acquisition cost is used.

Direct equity investments in portfolio companies
Direct equity investments in portfolio companies consist of co-investments together with portfolio funds and are valued using traditional valuation methods and as described above for portfolio funds. The following factors are included in the determination of fair value:

- Valuation and other significant conditions related to the latest round of financing
- Significant events related to the company’s business, product launches, new clients, changes to the management team
- Compliance or non-compliance with significant predefined milestones and other conditions assessed to be capable of impacting the fair value, including general changes in market and competition conditions and new technology.

Real estate funds
Private equity investments in real estate funds are measured primarily on the basis of the valuations performed by the real estate funds. The measurement is based on a valuation model that measures the fair value of the equity where the fair value of the underlying properties is reflected on an ongoing basis. The fair value of the real estate is usually determined on the basis of valuations performed by external estate agents and market assessors. In addition, the managers of the funds regularly perform an internal valuation based on changes in market conditions, which is typically reflected in an adjustment of the required rate of return. Other factors such as the stability of the real estate cash flow, market rent level, location and tenant quality are included in the valuation.

Loans
Valuation of loans is based on discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums.

Receivables from and payables to credit institutions
Include repo and reverse transactions, i.e. the purchase/sale of securities where, an agreement is concluded regarding selling back/buying back at a later time. In reverse transactions, the securities purchased are not included in the statement of financial position and the amount paid is recognised as a receivable. In repo transactions, securities sold are still included in the statement of financial position and the amount received is recognised as a liability. On initial recognition, receivables from and debts to credit institutions are recognised at fair value and subsequently measured at fair value. Interest received and paid is recognised across the duration of contracts. Valuation of repo and reverse transactions is based on discounting of expected future cash flows using relevant yield curves.

Financial assets and liabilities at amortised cost
Other receivables
Other receivables, which primarily comprise incomplete transactions, contributions receivable and rent receivable, are measured at amortised cost. Amortised cost is usually equivalent to nominal value.

Provisions are made for expected losses on ATP contributions receivable and rent receivable based on a simplified provision matrix using a fixed provisions percentage depending on how many days the receivable remains overdue. The provision rate is based on historical data.

Provisions for expected losses are deducted directly from the asset items to which the provisions relate, while period changes are recognised in the income statement.

Other liabilities
Includes ‘Payables to group subsidiaries’ and ‘Other payables’, measured at amortised cost, essentially equivalent to nominal value.

Financial derivatives
On initial recognition, i.e. the trade date, financial derivatives are recognised at fair value. Subsequent to initial recognition, financial derivatives are also measured at fair value. For financial derivatives that are traded in a market, the official market price is used. For financial derivatives that are not traded in a market, various generally accepted valuation methods are used, depending on the type of instrument involved. For interest rate instruments, valuation is based on the market rate expressed as the zero coupon yield curve at the statement of financial position date.

Changes in the fair value of financial derivatives are recognised in the income statement as they occur. Financial derivatives with a positive fair value are recognised in the statement of financial position as assets, while financial derivatives with a negative fair value are recognised in the statement of financial position as liabilities. Listed futures for which the margin is calculated on a daily basis are...
Note 21: Accounting policies, continued

considered to be settled for which reason the market value is recognised at DKK 0.

Other cash and cash equivalents received as part of a margin settlement are recognised in the statement of financial position, given that ATP has the right of disposal of margin account balances. Securities which, as part of collateral security, have only been formally assigned to ATP’s ownership are not recognised in the statement of financial position, given that ATP neither bears the risk nor benefits from the return on these securities. Similarly, securities which ATP only has assigned formally to counterparties as part of collateral security are still recognised in ATP’s statement of financial position. ATP enters into foreign exchange contracts with external counterparties on behalf of several of the Group’s subsidiaries.

Investments in group subsidiaries

Equity investments in group subsidiaries are managed and assessed based on fair value in accordance with ATP’s risk management and investment strategies. Reporting to the ATP Group Management is also based on this, for which reason ATP has selected the option in IAS 27 to recognise equity investments in group subsidiaries in accordance with the regulations of IFRS 9. Cash-flows from equity investments in group subsidiaries do not consist of payment of principal and interest, and investments in associates and joint ventures do not consist of payment of principal and interest. Significant interest, potential voting rights that may be taken into account. Joint ventures include entities whose share of the group subsidiaries.

No minority interests are deemed to own a significant share of the group subsidiaries.

Investments in associates and joint ventures

Associates are entities in which the Group has a significant but not controlling interest. Significant interest is typically achieved through direct or indirect ownership or disposal of more than 20 per cent of the voting rights, but less than 50 per cent. In the assessment of whether the Group has a significant interest, potential voting rights that may be exercised at the statement of financial position date are taken into account. Joint ventures include entities whose activities are jointly controlled by the Group, which is generally the case if the Group holds 50 per cent of the voting rights. In accordance with IAS 28, ATP and the ATP Group have decided to recognise and measure investments in associates and joint ventures under the provisions of IFRS 9. Cash-flows from equity investments in associates and joint ventures do not consist of payment of principal and interest, and investments in associates and joint ventures are therefore recognised and measured at fair value with value adjustment through the income statement.

Investments in associates and joint ventures are often structured as a combination of share equity investment and loans. Where all investors hold proportionally identical shares of both loans and equity investment and where the company has no significant debt financing, the risk of the loan is considered to be identical to the risk of the equity investment. Such loans are presented as an integral part of the investment in the associate or joint venture – both in internal management reporting and in external reporting. Loans that are an integral part of the investment in the associate or joint venture are recognised and measured at fair value.

Investment properties

Investment properties are properties held by the ATP Group to earn rental income and/or capital gains. Investment properties are properties which the ATP Group does not use for administration etc. as such properties are classified as owner-occupied properties. Properties with elements of owner-occupied properties and investment properties are allocated proportionately between the two asset types.

On initial recognition, investment properties are recognised at cost including transaction expenses. Subsequent to initial recognition, investment properties are measured at fair value. A return-based model is used to determine the fair value of the Danish properties. These valuations are segmented on the locations and qualities of the properties. The valuation of the Group’s international properties is made by external valuers, since local knowledge abroad requires external inputs. Determining the return in the return-based model for individual properties is based on the expected rental income at full occupancy of the properties. Expected operating, administrative and maintenance expenses are deducted. The value subsequently calculated is adjusted for recognised vacancy rent loss for a suitable period and expected expenses related to major maintenance work; deposits and prepaid rent are also added. An external assessment has been obtained for the valuation of market rent, and required rates of return are determined based on external estate agents’ assessment of the market level.

Expenses incurred in the form of new or improved qualities which result in an increase in the fair value determined immediately prior to the incurrence of the expenses, are added to the acquisition price as improvements.

Forestry investment properties

Forestry investment properties include land planted with woodlands that are held for the purpose of generating income from the sale of timber and capital gains.

On initial recognition, investment properties are recognised at cost including transaction expenses, and subsequently at fair value. The measuring of forestry investment property fairly is based on a weighted average of fair values of a variety of models. The most commonly applied models include recent sales of comparable forestry investment properties adjusted for size, location and types of timber and DCF models discounting expected future income from the sales of timber and land.

The fair value is determined by external valuing experts specialising in forestry investment properties.

Owner-occupied properties

Owner-occupied properties are properties used by the Group for administration purposes. Properties with elements of both owner-occupied properties and investment properties are allocated proportionately between the two asset types by square metre.

Owner-occupied properties are recognised at cost and subsequently measured at fair value using a revaluation model. Revaluation is performed at the end of each quarter. The fair value of owner-occupied properties is assessed using the principles applied to the Group’s investment properties.

Revaluation of a property from cost to fair value is recognised under ‘Other comprehensive income’ and is tied to a special provision under the bonus potential, unless the revaluation is offset by a corresponding decrease in value previously recognised in the income statement. A decrease in the fair value of a property is recognised in the income statement, unless the decrease is offset by a corresponding increase in value previously recognised in the item ‘Other comprehensive income’. In that case, the decrease in value is recognised under ‘Other comprehensive income’.

In case of sale of an owner-occupied property, previous years’ revaluations are not reclassified to the income statement. Instead, there is a transfer from ‘Revaluation provisions’ to ‘Transferred profits’ under the bonus potential.

On initial recognition, leasing assets are measured at cost, corresponding to the discounted value of the expected rent payments. The leasing period, which forms the basis for calculating the rent liability, corresponds to the period for which ATP, as the lessee, is entitled and expects to make use of the underlying assets.

Subsequently, the leasing asset is measured at cost less accumulated amortisation and depreciation. The leasing asset is amortised across the shorter period of the leasing period and the working life of the leasing asset and amortisations are straight-line recognised in the income statement.

On initial recognition, leasing liabilities are measured at amortised cost and a calculated interest cost is recognised in the income statement.

Operating equipment

Operating equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price as well as expenses directly related to the acquisition until such a time as the asset is ready for use. Expenses incurred for repair and maintenance are taken directly to the income statement.

Depreciation of operating equipment is provided on a straight-line basis over the estimated useful economic lives of the assets. The depreciation periods have been determined at two to six years.

Losses or gains on the sale or other disposal of property, plant and equipment are measured as the difference between the selling price and the carrying amount.

The residual value and useful economic lives of the assets are reviewed and adjusted, if appropriate, at each statement of financial position date. If the residual value of the asset exceeds the carrying amount, depreciation is discontinued. In case of changes in the depreciation period or the residual value, the prospective effect of depreciation is recognised as a change in accounting estimate.

Intangible assets

Goodwill

On initial recognition, goodwill is recognised in the statement of financial position at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Internal development projects

Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the company can be demonstrated, and where the intention is to produce...
Note 21: Accounting policies, continued

market or use the project, are recognised as intangible assets, provided that the cost of these assets can be measured reliably and there is a sufficient degree of certainty of the future value in use. Other development costs are recognised in the income statement as incurred. Development costs include expenses, remuneration and amortisation attributable to the Group’s development activities.

Internal development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the estimated useful economic lives of the assets, typically from three to ten years. The useful economic lives of the assets are reviewed and adjusted, if appropriate, at each statement of financial position date.

Impairment test
An annual goodwill impairment test is performed, while other intangible fixed assets are assessed annually for indications of depreciation.

In case of indications of depreciation, impairment test is performed for each asset or group of assets. The asset is depreciated to the recoverable value if this is lower than the accounting value. The recoverable value is the highest value of the capital value and the sale value less expected sale expenses. The capital value is measured as the current value of expected net cashflows from the use of the asset or group of assets and expected net cashflows from the sale of the asset or group of assets after use.

Guaranteed benefits
Guaranteed benefits are calculated at the fair value of the Group’s pension liabilities, i.e. the capital value of guaranteed benefits and rights (the pension commitment) assessed as a function of the current discount rate at the statement of financial position date. Guaranteed benefits include unpaid pension benefits due in respect of events having occurred during the financial year or earlier (provisions for claims outstanding).

The discount rate is calculated in accordance with the provision basis reported to the Danish Financial Supervisory Authority, based on the zero coupon yield curve at the statement of financial position date, reflecting the term of the guaranteed benefits. The rate thus calculated has been reduced by the tax rate under the Danish Pension Savings Returns Act (Pensionsforskningsstodskatteforliget), currently accounting for 15.3 per cent.

Changes related to changes in the market rate and changes in maturity reduction are recognised in hedging activities. Changes related to contribution payments for the year and pension benefit benefits for the year are recognised in pension activities. Other minor changes are also recognised in pension activities. In addition, changes due to life expectancy update are also recognised in pension activities. The life expectancy update comprises observed and expected future increases in life expectancy. Bonus is not allocated to the Group’s business units.

Bonus potential
ATP’s and the Group’s bonus potential are reserves that are not distributed to ATP’s members. The bonus potential is equivalent to the carrying amount of total assets related to ATP less guaranteed benefits and the sum of the carrying amount of ATP’s other liabilities.

The reserves can be distributed as bonus. Bonus additions are transferred to guaranteed benefits over results and comprehensive income. Comprehensive income for the year is transferred to the bonus potential. Revaluations and reversal of revaluations of owner-occupied properties are recognised directly in the bonus potential over other comprehensive income. The bonus potential thus rises and falls with the size of the net results for the year and other comprehensive income.

Cash flow statement
The Group’s cash flow statement shows the cash flows for the year, broken down by operating, investment and financing activities; changes for the year in cash and cash equivalents; and the Group’s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are presented directly and measured as pension contributions received less pension benefit benefits. Also included are management fees received, payments related to administration activities, payments to suppliers and staff, and direct and indirect taxes.

Cash flows from investment activities include purchases and sales for the financial year of bonds, equity investments, financial derivatives, loans to/from credit institutions, investment properties, as well as intangible assets and operating equipment.

Cash flows from financing activities include minority interest transactions for the financial year.

Cash and cash equivalents include cash and demand deposits, as well as time deposits with an original term to maturity of less than three months.

In the preparation of the consolidated financial statements and parent company financial statements, the Management makes estimates, set assumptions and make assessments that affect the reported accounting elements.

Accounting assessments
Management has conducted a range of assessments in connection with the application of the Group’s accounting policies. The primary accounting assessments relate to the following areas:

Measurement of forestry investment properties
Forestry investment properties consist of biological assets (trees), land and CO2 quotas. ATP considers forestry investment properties as an aggregate and integrated investment asset, due to the fact that realisation of forestry investment properties usually happens via the sale of the total property including land and CO2 quotas and only to a small degree takes the form of harvesting and selling of the biological assets. Forestry investment properties are therefore considered an aggregate unit which is recognised at fair value with value adjustments via the income statement and is presented as a part of ‘Investment properties’.

DKK is the functional currency of all subsidiaries
The ATP Group makes investments across the globe and therefore also holds foreign subsidiaries. It is a characteristic of foreign subsidiaries that they act as investment companies with no independent operating activities, since the purpose of these investments, and other Group investments generally, is to invest the members’ contributions and to obtain a return that will safeguard stable pension benefits to the members in DKK. It is the assessment of the Management that the relevant currency for measuring and valuing these investments should also be DKK.

ATP’s business model
ATP’s business model is to manage and value assets and liabilities based on changes to the fair value in keeping with ATP’s risk management strategy. For this reason, guaranteed benefits and associated investment assets are measured at fair value with the recognition of value adjustment via the income statement, regardless of the fact that some investment assets in essence satisfy the traditional sense of the word such as a public limited company with shareholders. ATP and the ATP Group therefore do not have equity as such, but non-distributed bonus potential is considered equity by nature as this item is included in the Group capital base and satisfies the definition of equity in accordance with the regulations according to which the ATP Group files its financial statements.

Presentation of loans forming an integral part of investments in equities
Investments in associated companies and joint ventures and capital shares in other companies are often structured as a combination of equity investment and loans to the companies in question. In such instances where all investors hold proportionate shares of the equity and loans and equity investment and where there is no significant external financing in the company generally, the risk of the loan is considered to be identical with the risk of the equity investment. ATP considers such loans as an integral part of the equity investment and therefore presents both the loan and the equity investment as capital shares which are both measured at fair value with value adjustments via the income statement.

The bonus potential
ATP and the ATP Group is a self-governing institution, settled by legislative act, and therefore has no owners in the traditional sense of the word such as a public limited company with shareholders. ATP and the ATP Group therefore do not have equity as such, but non-distributed bonus potential is considered equity by nature as this item is included in the Group capital base and satisfies the definition of equity in accordance with the regulations according to which the ATP Group files its financial statements.
Note 22: Significant accounting estimates and assessments, continued

For the assessment of accounting regulations (IAS 32, Financial Instruments: Presentation) the basis used is that the bonus potential does not constitute a contractual obligation, and that it is ATP’s Supervisory Board which, within the framework of the ATP Act, assesses and determines the transfer of bonus to members’ guaranteed benefits.

The comprehensive income for the year is transferred to ATP’s and the Group’s bonus potential. The comprehensive income for the year includes net results for the year plus revaluation or impairment losses for owner-occupied properties for the year.

The bonus potential is used to increase the future guaranteed benefits on an ongoing basis. If ATP’s Supervisory Board elects to assign bonus and increase members’ pensions, the bonus assignment will be presented as an expense in the income statement.

Accounting estimates
Measuring the accounting value of certain assets and liabilities requires estimations and assumptions regarding future events. The Management base their estimates on historical experience and on various other factors that are believed to be reasonable and relevant under the circumstances. ATP’s Management considers the following estimations to be central to the preparation of the consolidated financial statements:

- Estimates related to determining fair value of equity investments, bonds and loans are described in notes 5 and 6.
- Estimates related to the valuation of the Group’s investment properties are described in note 7.
- Estimates related to valuing financial derivatives is primarily concerned with whether adjustments are to be made to observable inputs used in the valuation models.
- Estimates related to valuing guaranteed benefits are primarily concerned with discounting factor and future life expectancy for ATP’s members. Note 10 states the primary assumptions applied in connection with valuing guaranteed benefits.

Effective from 1 January 2020, the ATP Group and ATP have implemented the following new or revised standards and interpretations:

- Change to IAS 1 and IAS 8, Definition of materiality level
- Change to IFRS 3, Corporate mergers
- Change to IFRS 9 and IFRS 7, Reform of reference centre (IBOR reform)
- Change to IFRS’ conceptual framework.

All standards and interpretation contributions have been implemented without having an impact on the annual report for the ATP Group and ATP.

Standards and interpretations that have not yet taken effect

IFRS 17, Insurance contracts
IFRS 17 “Insurance contracts” has been postponed to the accounting year commencing 1 January 2023. The analysis of the effect of the standard on ATP is still on-going, meaning it is not yet possible to quantify the effect.

In addition, a number of new and revised standards and interpretations have been issued that are not mandatory for the Group and ATP for the preparation of the annual report for 2020. None of these standards and interpretations are expected to have a material impact on the financial reporting of the Group and ATP.

Note 23: New accounting regulations
Independent auditors’ report

To the Board of Representatives

Opinion
We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2020, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement and notes, including the accounting policies for the Group as well as the Parent Company. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme’ (available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group’s and the Parent Company’s assets, liabilities and financial position as of 31 December 2020 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme’ (available in Danish only).

Basis of opinion
We have conducted our audit in accordance with the Financial Supervisory Authority’s executive order on auditing of the Danish Labour Market Supplementary Pension Scheme, AES - the Labour Market Occupational Diseases Fund, LD - the Employees’ Capital Pension Fund and in accordance with international auditing standards and any additional requirements applicable in Denmark. This requires that we comply with ethical requirements and plan and perform our audit with a view to obtaining reasonable assurance that the consolidated financial statements and parent company financial statements are free from material misstatement.

The audit is planned and executed in such a way that we have assessed the business processes and internal control procedures, including the risk management planned by the management that is directed towards the rendering of adequate and efficient control over the preparation of the consolidated financial statements and parent company financial statements. However, due to the inherent limitations of the audit procedure, we cannot provide a guarantee that we have uncovered all material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in consolidated financial statements and parent company financial statements. The audit procedures selected depend on the auditors’ judgement, including an assessment of the risks of material misstatement in the consolidated financial statements and parent company financial statements, whether due to fraud or errors. In making these risk assessments, the auditors consider internal controls relevant to the Danish Labour Market Supplementary Pension Fund’s preparation of consolidated financial statements and parent company financial statements that give a true and fair view. The aim is to develop auditing actions that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent company financial statements. Our audit has covered the significant aspects and areas of risk, and we believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management’s review
The management is responsible for the management’s review. Our opinion on the consolidated financial statements and parent company financial statements does not include the management’s review, and we do not express any kind of opinion on the management’s review.

In connection with our audit of the consolidated financial statements and parent company financial statements, it is our responsibility to read the management’s review and in this connection consider whether the management’s review is materially inconsistent with the consolidated financial statements, the parent company financial statements, the knowledge obtained during our audit or in any other way appears to contain material misstatements.

It is furthermore our responsibility to consider whether the management’s review contains the information required pursuant to the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)’. Based on the work performed, we believe that the management’s review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)’. We have not found any material misstatement in the management’s review.

Hillerød, 10 February 2021
Christoffer Max Jensen
Chief Auditor

To the Board of Representatives

Opinion
We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2020, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement and notes, including the accounting policies for the Group as well as the Parent Company. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme’ (available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group’s and the Parent Company’s assets, liabilities and financial position as of 31 December 2020 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme’ (available in Danish only).

We have conducted our audit in accordance with the Financial Statements Act, the Danish Auditors’ Act, the Order of Directors, the Pensions Act, the Danish Labour Market Supplementary Pension Scheme’s pension principles, the Danish Labour Market Supplementary Pension Scheme’s Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme and the Danish Act on Auditing by the Danish Labour Market Supplementary Pension Scheme (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægs pension – available in Danish only).

Basis of opinion
We conducted our audit in accordance with international auditing standards and the additional requirements applicable in Denmark. Our responsibility according to these standards and requirements is described in detail in the section ‘Auditors’ responsibility for the audit of the consolidated financial statements and parent company financial statements’ in the auditors’ report. We are independent of the Group in accordance with the international code of ethics for accountants (IESBA’s ‘Code of Ethics for Professional Accountants’) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical obligations in accordance with these rules and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the best of our knowledge, no prohibited auditing services have been provided pursuant to Article 5(1) of EU Directive 537/2014.

We were initially selected as auditors for the Danish Labour Market Supplementary Pension Fund on 4 February 2009, and have been re-elected annually by representative vote for a total period of 12 years up to and including fiscal year 2020. We were re-elected on 6 February 2019 following a tender procedure.

Key audit elements
Key audit elements are those elements which, in our professional opinion, were most important to our audit of the consolidated financial statements and parent company financial statements for the fiscal year 1 January - 31 December 2020. These elements were processed as a part of our audit of the consolidated financial statements and parent company financial statements as a whole and the preparing of our opinion regarding this. We do not provide any separate opinion about these elements.

Auditing the key element

Assessing the key element
Unlisted investments account for DKK 155.0bn as of 31 December 2020 (2019: DKK 163.2bn) for the Group.

Unlisted investments consist of investment in real estate, capital funds, infrastructure funds, private equity and credit portfolios.

Measuring unlisted investments is considered a key element for the audit, as such measurement is affected by management estimates and assumptions regarding future events. It is our assessment that the primary risks relate to changes to assumptions and the methods and models applied. Changes to assumptions and the methods and models applied can significantly affect the measuring of unlisted investments.

Assumptions with the greatest degree of management estimation include:
• Assessment of future cash-flows
• Determination of yield curve and credit spread assumptions
• Determination of yield curve and credit spread assumptions

Based on our risk assessment, we have reviewed the valuation of unlisted investment performed by Management and assessed the determined assumptions and the methods and models applied.

Our review included the following elements:
• Assessment of controls for valuation of unlisted investments
• Assessment of assumptions with the greatest degree of management estimation
• Assessment of the applied methods and models by applying our industry insight and experience focusing on such issues as changes compared with the previous year.
Measuring guaranteed benefits

For the Group, guaranteed benefits represent DKK 83.8bn as of 31 December 2020 (2019: DKK 75.9bn).

Measuring guaranteed benefits is considered a key element of the audit as the calculation of guaranteed benefits is a complex issue which is to a large extent subject to accounting estimations based on management assessments and assumptions regarding future events. It is our assessment that the primary risks relate to changes to assumptions and applied methods and models. Changes to assumptions and applied methods and models can have significant impact on the measurement of guaranteed benefits.

Areas involving the greatest degree of management estimates include:

• Models for valuing guaranteed benefits.
• Calculating future life expectancy (the life expectancy model)
• Determining the discount rate.

Management has provided a description of the measuring of guaranteed benefits in Note 10, pension provisions.

Based on our risk assessment, we have reviewed the valuation of guaranteed benefits performed by Management and assessed the model applied and the determined assumptions.

Our auditing activities, in which we have included our own, internally qualified actuaries, have included the following elements:

• Assessment of controls in actuary models, data collection and analysis and procedures for determining assumptions.
• Independent actuary assessment of applied data, methods, models and assumptions relative to accepted actuarial standards, the historic development and trends.
• Assessment of changes to applied assumptions and applied methods and models relative to last year and developments in industry standards and practices.
• Independent recalculation of Guaranteed Benefits in an in-house developed model based on ATP’s data.

Auditing the measuring of guaranteed benefits

Management’s responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that provide a true and fair representation in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with Danish disclosure requirements as set out in the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)’. Management is also responsible for the internal controls considered necessary by Management to prepare consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements and parent company financial statements, Management is responsible for assessing the Group’s and the Parent Company’s ability to continue their operations; for providing information on matters relating to the continued operations, where relevant; and for preparing consolidated financial statements and parent company financial statements based on the going concern basis of accounting, unless Management intends to either liquidate the Group or the Parent Company or cease operations or has no other realistic alternative than doing this.

Auditors’ responsibility for the audit of the consolidated financial statements and parent company financial statements

Our goal is to obtain a high degree of assurance that the consolidated financial statements and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report with an opinion. A high degree of assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international auditing standards and in accordance with additional Danish requirements will always identify material misstatement where such exists. Misstatements may arise as a result of fraud or error and may be deemed to be material if it could reasonably be expected that they, separately or collectively, affect the financial decisions made by the users on the basis of the consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with international auditing standards and the additional requirements applicable in Denmark, we make professional judgements and maintain professional scepticism during our audit. Moreover:

• We identify and assess the risk of material misstatement in the consolidated financial statements and parent company financial statements, whether due to fraud or error, we design and perform audit procedures in response to these risks and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not identifying material misstatement resulting from fraud is higher than in connection with material misstatement resulting from error as fraud may comprise conspiracy, forgery, deliberate omission, misrepresentation or override of internal controls.
• We obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the company’s internal control.
• We determine whether the accounting policies applied by Management are appropriate and whether the accounting estimates and related information prepared by Management are reasonable.
• We express an opinion on whether Management’s preparation of the consolidated financial statements and parent company financial statements based on the going concern basis of accounting is appropriate and on whether, based on the audit evidence obtained, material uncertainty is attached to events or conditions that may give rise to significant doubt about the Group’s and the company’s ability to continue their operations. If we express the opinion that there is material uncertainty, we must in our auditors’ report draw attention to information therein in the consolidated financial statements and parent company financial statements or, if such information is insufficient, we must modify our opinion. Our opinions are based on an audit evidence obtained until the date of our auditors’ report. Future events or conditions may, however, result in the Group and the company becoming unable to continue operations.

We consider the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including disclosures in the notes, and whether the consolidated financial statements and parent company financial statements reflect the underlying transactions and events in a way that they provide a true and fair view thereof.

• We obtain sufficient and appropriate audit evidence about the financial information regarding the entities or business activities in the Group for use for the purpose of expressing an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the consolidated financial statements audit. We are solely responsible for our audit opinion.

We communicate with the senior management on, among other things, the planning, performance and evaluation of the audit as well as significant audit observations, including any significant deficiencies in internal controls that we identify during our audit.

We also submit a statement to the senior management to the effect that we have complied with relevant ethical requirements regarding independence and notify it if all relations and other circumstances which can be reasonably considered to affect our independence and, where relevant, any associated security measures.

On the basis of the conditions communicated to the senior management, we determine which were the most significant conditions in the auditing of the consolidated financial statements and the parent company financial statements for the relevant period of time and which are therefore key audit conditions. We describe these conditions in our auditor’s statement except where legislation or other regulation prohibits the publishing of the matter or in the very rare instance where we determine that the matter should not be included in our auditor’s statement because the negative consequences of this can be reasonably expected to be of greater significance than the public interest benefits of such a communication.

Statement on the Management’s review

The management is responsible for the management’s review.

Our opinion on the consolidated financial statements and parent company financial statements does not include the management’s review, and we do not express any kind of opinion on the management’s review.

In connection with our audit of the consolidated financial statements and parent company financial statements, it is our responsibility to read the management’s review and in this connection consider whether the management’s review is materially inconsistent with the consolidated financial statements or the parent company financial statements or the knowledge obtained during our audit or in any other way appears to contain material misstatement.

It is furthermore our responsibility to consider whether the management’s review contains the information required pursuant to the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)’.

Based on the work performed, we believe that the management’s review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the ‘Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP).’ We have not found any material misstatement in the management’s review.

Hillerød, 10 February 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration (CVR) No. 33 96 35 56

Jacques Pernaud
State Authorised Public Accountant
MNE No. 16613

Lars Krønøw
State Authorised Public Accountant
MNE No. 19708
Further information

www.atp.dk/en/further-information-2020

General matters
- Recommendations on corporate governance
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- Procedures of the Executive Committee
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- Other directorships held by members of the Group Management
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Remuneration
- Pay Policy for the Supervisory and Executive Boards, significant risk takers etc. at the Danish Labour Market Supplementary Pension Fund (ATP)
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Supplementary accounting information
- Breakdown of equity investments
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- Exposure to equity indices in financial derivatives
- Pension provisions, calculated using the discount rates applied by ATP and EIOPA, year-end 2020
- Pension provisions, calculated using the discount rates applied by ATP and EIOPA, H1 2020

Financial calendar
- Quarterly and annual reporting 2021

Value creation
- Value creation at ATP
- Definition of value creation ratios

Corporate Social Responsibility
- Responsibility 2020
  (www.atp.dk/en/responsibility-reports-and-publications)

Facts about
ATP LivsSalg Pension (Lifelong Pension)
- Report on risk and financial condition
- ATP’s investment approach
- Breakdown of Danish FSA’s return ratios (N1)
- Composition of ATP’s pension product
- Mandatory pension scheme (DP), implemented as of 1 January 2020
- Pension scheme for disability pensioners (SUPP)
- ATP’s life expectancy model and work with life expectancy prediction