

## ATP's Policy for sustainability in investments

### Table of contents

1. Purpose, scope of application and strategic targets .....	2
2. Identification of risks and risk appetite .....	2
3. Preconditions .....	3
4. Integration in daily investment practices .....	3
5. The Committee for sustainability .....	4
6. Cooperation .....	4
7. Transparency and information .....	4
8. Due Diligence in connection with new investments .....	4
9. Dialogue with companies .....	5
10. Exclusion .....	5
11. General management .....	5
12. Recommendations for achieving targets .....	5
13. Environmental and social characteristics .....	5
14. Reporting .....	6
15. Exemption possibilities .....	6
16. Updating .....	6

## 1. Purpose, scope of application and strategic targets

ATP acts as a responsible investor, and within this framework must invest its assets so as to best safeguard the interests of its members. The objective for investment of the assets is to maintain their real value.

Incorporating sustainability factors – that is, environmental, social and personnel issues as well as issues regarding respect for human rights and anti-corruption and -bribery – is often a prerequisite for long-term, sound earnings – and thus for the preservation of the real value of the investments.

The aim of ATP's Policy for sustainability in investments is to protect the value of ATP's investments by focusing on and incorporating sustainability factors.

Another aim is for ATP's work with sustainability to ultimately benefit the affected employees, enterprises, and local communities, and to balance considerations regarding adverse impacts of ATP's investments on people and planet.

The incorporation of sustainability factors is a central part of the tasks carried out by ATP on behalf of its members.

ATP's work with sustainability includes a broad range of societally relevant issues within environment and climate, social issues and governance – the so-called ESG themes (Environmental, Social and Governance Issues).

At ATP, our work with sustainability takes place in close interaction with the Policy for Stewardship at ATP and the Tax policy for the ATP Group.

ATP wants to promote real sustainable development in the individual companies. This requires that we as investors use our influence as capital owners. The coverage of this policy is therefore limited to companies where ATP has real capital ownership and is not only exposed through derivative financial instruments.

With regard to the requirements in the EU's Sustainable Finance Disclosure Regulation (SFDR), this policy constitutes ATP's policy on the integration of sustainability risks in the investment decision-making process, as well as ATP's due diligence policy with respect to principal adverse impacts of investment decisions on sustainability factors. ATP publishes information pursuant and relating to the SFDR on its website.

## 2. Identification of risks and risk appetite

ATP views sustainability risks in line with other investment risks, including market risks. We understand sustainability risks in the same way as intangible assets such as goodwill, brand and intellectual property rights, where valuation has a subjective nature.

Based on ATP's work with sustainability risks, our experience is that measurement methods, data, etc., to assess the impact on the value of the investments have not been developed to the same level as traditional

risk factors. Therefore, it is neither possible to identify nor make a nuanced and concrete assessment of how different sustainability risks apply across investment types in the same way as with traditional financial risks. Hence, sustainability risks cannot currently be the primary driving force in investment and risk assessments.

Instead, a more general and integrated approach is employed in our assessments of sustainability risks. As is the case with other investment risks, ATP strives to identify ESG-related risk sources and assess the extent to which ATP is compensated.

When investing in unlisted companies, ATP always conducts due diligence of the companies in order to assess whether ATP expects to obtain a reasonable risk-adjusted return from the investment in question, and to ensure that ATP is aware of the risks, including sustainability risks, associated with the investment.

ATP works continuously to improve the basis for integrating sustainability risks by developing and testing new methods, e.g., by working with climate data, which in ATP's assessment is the most developed area.

### **3. Preconditions**

ATP's work with sustainability issues is based on a number of general considerations:

- ATP's work with sustainability must be characterized by consistency, predictability, seriousness and transparency and must be based on facts rather than subjective assessments.
- In its work, ATP recognises that conditions in other parts of the world may constitute a different framework for business conduct than what applies in Denmark and Western Europe.
- ATP's policy for sustainability is based on strict criteria as it refers to politically adopted structures in the form of national legislation and international agreements.

### **4. Integration in daily investment practices**

ATP makes an ongoing effort to integrate sustainability risks and broader sustainability considerations in the day-to-day investment processes in line with considerations for other business conditions and risks.

ATP considers the analysis of companies' ESG conditions to be an important and relevant element in ATP's risk management, and, in ATP's experience, it is also possible to identify investment opportunities based on these efforts.

ATP does not invest in companies that deliberately and repeatedly violate rules laid down by national authorities in the markets where the companies operate or by international organisations endorsed by Denmark. This relates, among other things, to rules regarding environmental, social and employee issues as well as rules regarding companies' respect for human rights, anti-corruption and anti-bribery matters, and the production or distribution of certain types of weapons.

ATP does not invest in specific securities, including government debt, that are subject to sanctions adopted by the EU or UN.

## 5. The Committee for sustainability

ATP's sustainability efforts are coordinated in a special internal committee for sustainability chaired by ATP's CEO. The Committee for sustainability holds six ordinary meetings annually and additionally meets on a needs basis.

The Committee is responsible for establishing processes which ensure compliance with the Policy for sustainability in investments. The Committee must ensure that assessments with reference to sustainability factors are based on facts and that the assessments are as objective as possible. In its assessments, the Committee for sustainability takes as part of its starting point a number of authoritative sources of information such as the EU and UN conventions on human rights, the ILO's core conventions, the international anti-corruption conventions, the UN Paris Agreement, the UN Sustainable Development Goals, etc. The Committee also uses the OECD's own recommendations for how investors should comply with the OECD Guidelines (including the UN Guiding Principles on Business and Human Rights). As laid down in ATP Supervisory Board's Policy for stewardship, the Committee also acts as coordinator for ATP's work with stewardship activities and tax.

At the same time, the Committee is the central coordinating forum for ATP's internal discussions on developments in the area of sustainability in investments and with regard to ATP's practice in individual areas, including, for example, ATP's integration of climate considerations in the investment process.

Finally, the Committee is the coordinator for ATP's ongoing work with strengthening its efforts in this area. This applies, for example, to decisions on further analyses of individual companies or special areas of concern, approval of new processes to ensure compliance with the Supervisory Board's policy as well as decisions on investigating alternative methods and new focus areas.

## 6. Cooperation

Issues concerning sustainability often cross national boundaries. International cooperation is therefore of great importance for how this area develops. ATP continuously seeks to contribute to the development in this area by participating in relevant organisations, cooperating with other investors and contributing to and monitoring the development of new, relevant standards.

## 7. Transparency and information

ATP wants to ensure a high degree of transparency around its sustainability activities. Therefore, ATP makes an ongoing effort to increase its transparency so that members can see how ATP is working with sustainability issues.

Each year, ATP's Supervisory Board approves a report that describes ATP's work and processes in the area of sustainability. The report is published alongside ATP's annual report. ATP also participates in the public dialogue on relevant issues in the area, and ATP provides information on its work on ATP's website.

## 8. Due Diligence in connection with new investments

Prior to the completion of new illiquid investments, a due diligence process is carried out that includes (i) sustainability risks which could have a significant negative impact on the financial return of an investment

and (ii) the principal adverse impacts on sustainability factors which the investment decision could entail. Sustainability risks mean an environmental, social or governance event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment. The result of the due diligence process carried out is included in the final investment recommendation. The completed ESG due diligence process forms an important part of ATP's ESG integration, cf. point 4 of this policy.

ATP's actual due diligence processes are described annually as part of ATP's reporting.

## **9. Dialogue with companies**

ATP has ongoing dialogues with a number of companies in which ATP has invested. As part of these dialogues, sustainability issues are addressed, including the need for adequate reporting in this area.

## **10. Exclusion**

If there are indications that a company is violating (or is suspected of having violated) ATP's policy, an engagement process will be initiated. In this process, ATP examines the relevant allegations more closely and, if violations are confirmed, a dialogue is initiated with the company on how the conditions criticised may be remedied or significantly improved.

Engagement and dialogue focusing on improvements are ATP's preferred tools in connection with adverse sustainability impacts, while exclusion is seen as a tool to be used when all other alternatives have been exhausted.

ATP updates its exclusion list on ATP's website twice a year. ATP does not regularly maintain information on companies in which ATP does not invest or which ATP has excluded. This means that ATP is not able to publish a complete and comprehensive exclusion list.

In principle, there is nothing to prevent ATP from investing in a company that it has previously excluded. However, this would require renewed analysis.

## **11. General management**

ATP's Policy for sustainability in investments is laid down by ATP's Supervisory Board.

ATP's executive management is responsible for ATP's investments within this framework and, together with the Committee for sustainability, for observance of the framework.

## **12. Recommendations for achieving targets**

Each year, ATP's Supervisory Board adopts an ESG action plan for the coming year.

## **13. Environmental and social characteristics**

On the basis of ATP's established practice and ambitions for ESG, it is ATP's assessment that, according to the EU disclosure regulation, ATP Livslang Pension is an Article 8 product which promotes environmental and social characteristics. Thus, ATP regularly reports on this on its website and in connection with the

annual report.

In accordance with the EU disclosure regulation, ATP also communicates separately on its website about its policies, processes and criteria for assessing good governance practices in the companies in which ATP invests.

#### **14. Reporting**

Ongoing reporting is made to ATP's Supervisory Board on the work with sustainability issues.

#### **15. Exemption possibilities**

Questions concerning the policy which the CEO believes give rise to doubt, are presented to ATP's Executive Committee, and any deviations from or interpretations of the policy are approved by ATP's Supervisory Board.

#### **16. Updating**

This policy must be presented to the Supervisory Board at least once a year for the purpose of assessing whether it is still prudent, including with reporting on compliance. In case of material changes to the assumptions that form the basis of the policy, it must be adapted.