

ATP Group
Social Responsibility 2016



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Introduction to responsibility in investments

ATP Group

ATP is a self-governing institution, established by statute and managed by the social partners.

ATP Lifelong Pension is a mandatory pension scheme with more than five million members. ATP Lifelong Pension is guaranteed and lifelong and is disbursed to nearly all pensioners. For 50 per cent of all old-age pensioners, ATP Lifelong Pension is their only source of pension income other than their state-funded old-age pension.

With assets of DKK 759 billion, ATP is one of the largest pension funds in Europe. The assets are invested in, among other things, bonds, equities, real estate and infrastructure in Denmark and abroad with a view to creating good, stable pensions while ensuring low expenses.

ATP administers key welfare benefits and schemes on behalf of the Danish state, the local authorities in Denmark and the social partners. ATP is the largest administration provider in the Nordic countries, managing two thirds of welfare benefits disbursed in Denmark.

The ATP Group is a large workplace. In 2016 the ATP Group had on average 2,445 full-time employees in total, of which 2,264 were employed in Denmark, and located primarily in ATP's offices in Vordingborg, Holstebro, Haderslev, Allerød, Frederikshavn, Greater Copenhagen and the main office in Hillerød.



Responsibility in the ATP Group

Through all parts of the Group, ATP leaves its 'footprint' on society. On page 26 and 27, we report on employee welfare in the ATP Group and on water consumption and carbon emissions from ATP's own offices. In ATP's assessment, investments account for most of the total footprint on society. Therefore, the focus of this report is on responsibility in investments. ATP continues to support the UN Global Compact principles. This report constitutes ATP's Communication on Progress to the UN Global Compact, describing ATP's progress in terms of incorporating the principles into processes and business procedures. Page 28 provides an overview of where in the report the ten principles are addressed.

Social responsibility in investments

ATP is responsible for investing members' pension funds sensibly and with a high risk-adjusted return to ensure good, stable pensions and basic financial security for its five million members. ATP takes this responsibility very seriously.

To protect and increase the risk-adjusted return for the benefit of its members, ATP's Supervisory Board has adopted Policy of Social Responsibility in Investments and Policy of Active Ownership. These policies provide the foundation for the way ATP practises business-driven responsibility in investment decisions.

Geographical locations of ATP's offices



For a pension fund with long-term liabilities, thinking and acting with a long-term perspective is essential. ATP believes that considerations of returns and social responsibility – especially in a long-term perspective – tend to pull in the same direction as a company's lack of responsibility may negatively affect its value. Conversely, responsible conduct may limit risks and create business opportunities that may help to increase the value of ATP's ownership interest in the company.

One way in which ATP leaves a footprint on society is through ownership of equities. Through their operations, companies in which ATP holds equities leave their footprint on society, for instance through their environmental impacts, employee conditions etc. ATP recognises this responsibility and screens companies in which

ATP holds equities for breaches of ATP's Policy of Social Responsibility in Investments.

ATP's five million members, Danish and international NGOs and other stakeholders have expectations – often diverging – as to how ATP should exercise responsibility. ATP's Supervisory Board has decided to take into account a wide range of Environmental, Social and Governance (ESG) issues in investment analysis and decision-making through the focus on implementing Policy of Social Responsibility in Investments and Policy of Active Ownership. For instance through screening of ATP's equity investments, continuous dialogue and by voting at companies' general meetings. This report will explain ATP's interpretation of responsibility, describe voting and describe analysis and screening processes.

ATP at a glance

Results in DKK	DKK 9.3bn	DKK (9.9)bn	DKK (0.6)bn
Return in per cent	15.0 per cent net results for the year before life expectancy update	4.4 per cent investment return (before tax and expenses) relative to bonus potential	8.8 per cent total value creation for members
Net assets and pension benefits	DKK 100bn bonus potential	DKK 759bn ATP member assets	DKK 23,600 full ATP Pension for a 65-year-old pensioner
Accumulated 2012-2016 – Results in DKK	DKK 51.5bn results before life expectancy update and bonus	DKK (24.8)bn life expectancy update and bonus	DKK 26.7bn results

Responsibility, guidelines and policies

To ensure that ATP's responsibility efforts are consistent, business-driven and based on objective criteria, ATP's Supervisory Board has adopted principles and policies for managing the efforts. Management is responsible for coordinating the efforts.

Coordination of ATP's social responsibility efforts

To ensure management ownership of social responsibility in ATP's investment decisions, the social responsibility efforts are coordinated by our Committee for Social Responsibility. The Committee is chaired by the ATP CEO and other members are the CIO (Chief Investment Officer) and the CRO (Chief Risk Officer) as well as relevant investment managers. The Committee is to ensure that all assessments and decisions are grounded on factually and objectively-based assessments and that ATP's ongoing social responsibility efforts are coordinated, strengthened and developed. The analysis work is performed in-house by Team ESG, which services the Committee for Social Responsibility and implements decisions made by the Committee.

Governance and responsibility



ATP's Policy of Social Responsibility in Investments

ATP's social responsibility efforts are based on ATP's Policy of Social Responsibility in Investments, listing a number of requirements for the companies in which ATP invests. Firstly, the companies must respect the law of the countries in which they operate. Secondly, they must respect the rules, norms and standards that ensue from conventions and other international agreements ratified by Denmark – this applies irrespective of whether the country in which the company operates has ratified such conventions.

Companies in which ATP holds equities must not deliberately and repeatedly violate national law or international rules. ATP's Policy of Social Responsibility in Investments is objectively based and refers to national law and international conventions rather than subjective opinion of what is right and wrong. Implementation of ATP's Policy of Social Responsibility in Investments in ATP's screening and exclusion processes is described in detail on page 8-10. The complete Policy is available in Appendix 4. The current complete list of excluded companies is available in Appendix 2.

ATP's Policy of Active Ownership

As a long-term investor, ATP has an interest in the efficiency of the financial markets and in investors as owners of listed companies being able to understand and control the companies' overall actions, thereby promoting the companies' long-term value creation. Therefore, the ATP CEO as a member of the Danish Committee on Corporate Governance and chairman of the Committee's working group on stewardship activities played an active part in formulating the Danish Stewardship Code. The Code is targeted at Danish institutional investors, is based on voluntariness and aims to help improve the transparency of investors' active ownership efforts.

When the Danish Stewardship Code was submitted for consultation, the ATP CEO said: "The Code encourages investors to formulate a policy of active ownership, actively follow the companies' performance, vote at general meetings and prepare annual reports on their activities – all with a focus on generating a long-term return."

In 2016, to promote companies' long-term value creation, ATP's Supervisory Board decided to revise its Policy of Active Ownership, based on the new Stewardship Code. The Policy of Active Ownership describes the principles on which ATP's active ownership efforts are based as well as the processes launched by ATP to exercise active ownership. The scope of ATP's Policy of Active Ownership and dialogue with a specific company generally reflects the value of the investment and the size of ATP's ownership interest. ATP applies two processes, in particular, in its active ownership activities. Firstly, ATP engages in dialogue with companies by voting at general meetings in all companies in which ATP holds equity investments. Secondly, ATP often engages in continuous dialogue with companies about various issues, including corporate

governance. The active ownership efforts are described in more detail in the chapter on Active Ownership. However, the ongoing dialogue may involve a wide range of issues, including ESG issues, if ATP assesses that such dialogue may either protect or increase the value of our investment. The complete Policy is available in Appendix 3.

ATP and the ten UN Global Compact principles

ATP's Policy of Social Responsibility in Investments is to ensure that a wide range of environmental, social and governance issues are clarified and included in investment decisions. International conventions cover a wide range of themes, and ATP focuses its policy efforts on conventions on environmental and social issues, human rights and anti-corruption. As ATP supports and is a member of the UN Global Compact, it is reasonable to focus the thematic

policy efforts on the ten principles, which cover issues also covered by international agreements and conventions. Thus, over recent years, ATP has been working systematically to incorporate the ten principles into our screening processes

ATP and the six Principles for Responsible Investment

ATP has been supporting the UN-backed Principles for Responsible Investment for several years. In 2013, ATP, along with other Danish pension funds, left the PRI organisation in a joint withdrawal due to serious governance challenges in the PRI organisation. In the years since then, we have been following the PRI discussions and reforms with interest and have been in constructive dialogue with the PRI Board of Directors. In 2016, three years after leaving the PRI organisation, ATP decided to rejoin the organisation. Read more about the decision on page 25.

UN Global Compact principles

- Businesses should support and respect the protection of internationally proclaimed human rights; and
- make sure that they are not complicit in human rights abuses.
- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.
- Businesses should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.
- Businesses should work against corruption in all its forms, including extortion and bribery.

UN-backed Principles for Responsible Investment

- We will incorporate ESG issues into investment analysis and decision-making processes
- We will be active owners and incorporate ESG issues into our ownership policies and practices
- We will seek appropriate disclosure on ESG issues by the entities in which we invest
- We will promote acceptance and implementation of the Principles within the investment industry
- We will work together to enhance our effectiveness in implementing the Principles
- We will each report on our activities and progress towards implementing the Principles

Screening and exclusions

ATP's portfolios are screened for breaches to ensure that companies in which ATP invests do not breach ATP's Policy of Social Responsibility in Investments. Rather than examining all potential investments, ATP has decided only to screen the companies in which ATP has invested. This enables ATP to spend the necessary resources on examining the relevant companies thoroughly, seriously and with a focus on facts. The purpose of the screening process is to analytically screen out information and allegations against companies to allow ATP to focus resources on the most serious allegations and possible breaches of ATP's Policy of Social Responsibility in Investments.

Companies in which ATP invests must not – deliberately and repeatedly – violate Danish law or the law of the countries in which they operate, nor norms that may be deduced from international conventions ratified by Denmark. It is important to emphasise that ATP's screening efforts are informed by the severity of the specific allegation or conduct, not by the size of ATP's investment in the specific company. In addition to listed equity, ATP also screens bonds.

The screening is based on information provided by an external data provider – which continuously monitors and assesses the conduct of thousands of international companies on a number of parameters – with both quantitative and qualitative elements. The data provider's monitoring is based on media stories, NGO reports, court decisions, regulatory investigations, reporting by companies and other material in the public domain. The data provider informs the companies of the allegations before publishing reports and data.

ATP sometimes receives information from external sources about a company's possible breaches of ATP's Policy of

Social Responsibility in Investments. Such information and inputs are included in the screening process on an equal footing with other information from our data provider.

Structure of ATP's screenings

In the selection of quantitative indicators for the screening process, ATP incorporates a wide spectrum of ESG issues relating to international conventions and Global Compact principles. These indicators cover a wide range of environmental issues (such as biodiversity), human rights issues (such as civil liberties and protection of the rights of indigenous peoples), labour rights (such as the right to collective bargaining, anti-discrimination and child labour) and anti-corruption. By focusing on these issues and indicators, it is ensured that ATP concentrates on company conduct that potentially constitutes a breach of ATP's Policy of Social Responsibility in Investments.

Processes

The first step of the screening process is to select companies that potentially breach ATP's Policy of Social Responsibility in Investments. Based on the selected quantitative indicators, with reference to the methodology applied by the data provider, ATP has established threshold values which enable automatic selection of focus companies. The focus companies' scores on the selected ESG indicators are significantly poorer than those of other companies in the portfolios – entailing a risk of breaching ATP's Policy of Social Responsibility in Investments.

If a company's score is below the threshold value, it is investigated whether the conduct and allegations, if true, would also constitute a breach of ATP's Policy of Social Responsibility in Investments. This leads to the second step

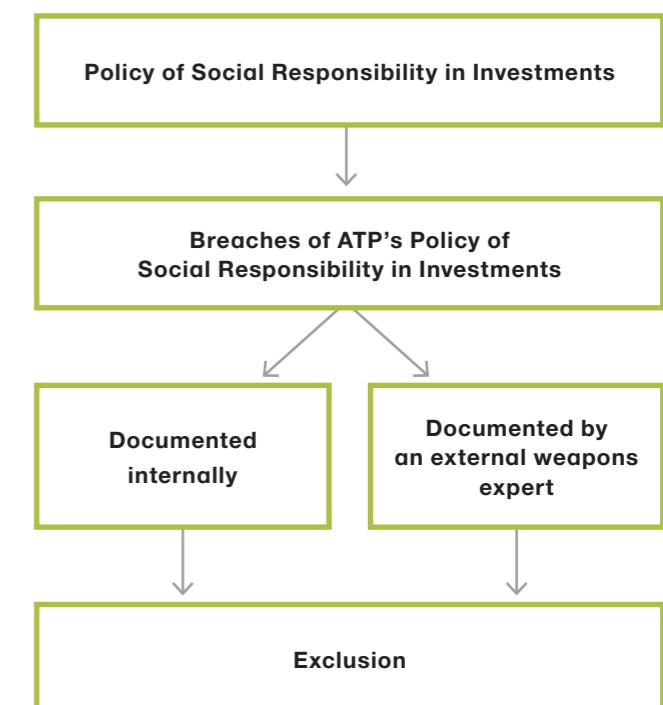
of the screening process. The allegations against the focus companies are qualitatively screened by ATP's ESG staff to assess whether the allegations could constitute a breach of ATP's Policy of Social Responsibility in Investments. If the allegations are believed to be serious and constitute a potential breach of ATP's Policy of Social Responsibility in Investments, they are subjected to a more thorough investigation – a fact-finding process.

The fact-finding-process is an open investigation, based on a variety of sources, for instance open sources, NGO reports and company websites. We also approach the companies for their comments on the allegations. As the facts of the case are not yet sufficiently clarified at this point, ATP does not disclose which companies and allegations are under investigation.

The screening process is conducted continuously, and ATP has decided to keep the process in-house rather than delegate it to an external provider. One reason is that ATP's Policy of Social Responsibility in Investments stipulates that ATP's Committee for Social Responsibility must ensure that the investigation is grounded on factually and objectively-based assessments and decide whether a company has breached ATP's Policy of Social Responsibility in Investments.

ATP has separate processes for investments in government bonds. As a result, ATP does not invest in government bonds in countries against which the EU or UN has imposed relevant targeted sanctions. ATP also includes the OECD's long-term country risk classification in its investment process for government bonds. Read ATP Responsibility in investments 2014 for more information about screening of government bonds.

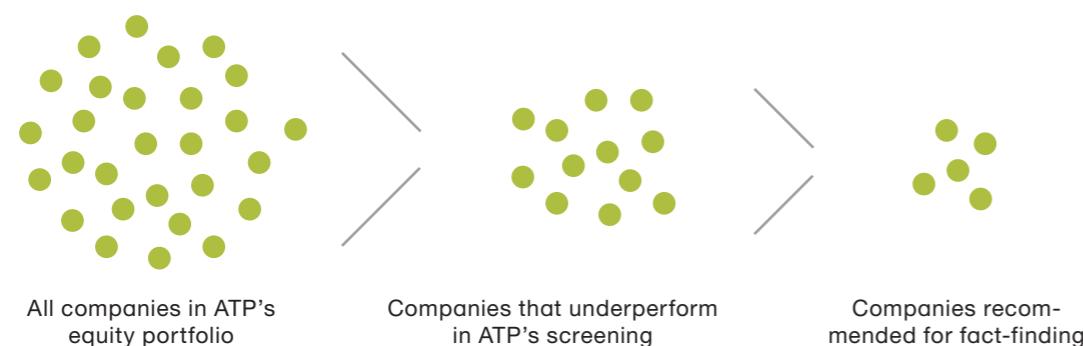
Exclusion processes



Breach of ATP's Policy of Social Responsibility in Investments: targeted dialogue or exclusion

If the investigation indicates a possible breach of ATP's Policy of Social Responsibility in Investments, Team ESG presents the findings of the investigation to the Committee for Social Responsibility with a recommendation to the Committee on engaging in targeted dialogue with the company or excluding it. ATP engages in targeted

The screening process



ATP's Policy of Social Responsibility in Investments

- ATP does not purchase equities in companies that deliberately and repeatedly violate the rules laid down by the national authorities in the markets in which the company operates or by international organisations endorsed by Denmark.
- Nor does ATP purchase equities in companies located in countries being subjected to a trade embargo imposed by the UN or the EU and endorsed by Denmark.

Active ownership – continuous dialogue and voting

dialogue with a company in breach of ATP's Policy of Social Responsibility in Investments if there is a reasonable expectation that ATP can persuade the company to change its conduct. In other words, the stated purpose of the dialogue is to change the specific conduct. This may take time and ATP therefore displays patience when engaging in targeted dialogues. If the company does not change its conduct, ATP will exclude the company. ATP's Committee for Social Responsibility may also choose to exclude the company without first engaging in dialogue with it. ATP discloses both exclusions and targeted dialogues.

In very rare cases, ATP adds companies to its list of excluded companies although ATP does not have any investments in the companies at the given time. If, in a

responsible, factual and professional manner, leading investors have documented issues and conduct by a named company that could constitute a breach of ATP's Policy of Social Responsibility in Investments, ATP may choose to use the material as the basis of an internal investigation and fact-finding process in respect of the company. If the company's conduct constitutes an obvious breach of ATP's Policy of Social Responsibility in Investments, ATP may choose to exclude the company. In exceptional cases, ATP excludes companies without prior internal investigation. Such exclusions specifically relate to companies involved in the production of cluster bombs and landmines. In these cases, ATP bases its decisions on the assessment of an external munitions expert.

Munitions screening

Companies involved in the production of weapons subject to conventions, including cluster bombs and landmines, are excluded from ATP's investment universe. Whether a company is involved or not is not all that easy to determine, however. Comprehensive technical knowledge and access to detailed information on products and ownership are required to determine whether a company is involved in the production of weapons subject to conventions – knowledge and information that ATP does not have in-house. Therefore, ATP purchases specialised data from an external data provider with munitions technical knowledge. Several times each year, ATP receives intelligence from its data provider on companies that may be associated with weapons subject to conventions. In 2016, ATP has been working to consolidate its processes, and internally we have mapped the methods of our data provider and our own practice in this field.

Fact-finding concerning corruption allegations in a global company

The screening process led to fact-finding of a number of companies in 2016. For instance, ATP has investigated large-scale allegations of corruption in a global company in which ATP holds investments. The company was captured in ATP's screening process due to multiple cases of corruption and bribery. Based on these data, ATP decided to recommend that fact-finding be initiated against the company. Early in the process, it became clear that former employees of the company had been convicted of multiple offences and that court cases were still pending.

On the other hand, the investigation also showed that the company had implemented large-scale governance changes, including organisational changes. To prevent new scandals, the company has also introduced educational initiatives and new procedures and compliance systems. ATP decided to approach the company directly to inquire about the specific implementation of these changes, including the timetable for their implementation. The company's response did not give any cause for concern, and consequently ATP has decided to suspend the fact-finding process. If new cases are brought against the company after the massive overhaul, ATP will reconsider its decision and proceed with the fact-finding process.

ATP focuses on active ownership in relation to its listed equities to promote the long-term value creation of ATP's investments. Dialogue is a key tool in ATP's active ownership activities. The dialogue with listed companies may, for instance, revolve around strategy, results, risk, capital structure, corporate governance, corporate culture, management remuneration and general responsibility. The content of ATP's active ownership and the dialogue with listed companies are guided by the general principles adopted by ATP's Supervisory Board in its Policy of Active Ownership.

The active ownership engagement can be enacted through different avenues and varies from case to case. Fundamentally, ATP's active ownership can be divided into two types. The first type is called 'continuous dialogue'. This entails ATP engaging in a continuous dialogue with management or the Supervisory Board in the companies regarding relevant subjects for long term value creation, as well as voting at annual general meetings. The other type is called 'dialogue through annual general meeting'. Under this type, ATP votes at annual general meetings. This type of dialogue is typically used in relation to ATP's listed international equities.

ATP engages in active ownership in relation to all of our listed equities. ATP applies a principle of proportionality in active ownership, entailing that the scope of the dialogue with a specific company generally reflects the value of the investment and the size of ATP's ownership interest. This strategy is also linked to ATP's possibility of engaging in dialogue, which increases with the ownership interest. Because ATP often has substantial holdings in Danish listed equities, the 'continuous dialogue' often revolves around these companies. Other factors, such as investment methods and strategies may also guide the extent and way in which ATP performs its active ownership.

Both the continuous dialogue and the dialogue through companies' general meetings are managed by ATP. When voting at general meetings outside Denmark, ATP liaises with ISS, an external 'proxy advisor'. ISS provides governance research on companies and their general meetings and makes a platform available for administration of the multitude of votes. ATP decides on all specific voting items and also manages the subsequent dialogue with companies about the voting process.

Continuous dialogue

ATP is an active owner and experienced in the practice of continuous dialogue facilitation with companies in which ATP is a major shareholder. In ATP's experience this type of active ownership has generated long-term high returns. Also, in ATP's assessment, the continuous dialogue has helped to create added value for companies in which ATP has been holding, and holds, investments.

When ATP is a major shareholder of a company, ATP conducts an in-depth, long-term analysis of the company, covering issues such as corporate strategy, performance, governance power, governance, market position and responsibility. The analysis is based on meetings with the company, among other things, to establish a dialogue with the management about these issues.

Active ownership is initiated even before the investment is made and is followed up by regular meetings with the Executive and Supervisory Boards for the duration of ATP's investment.

This entails that when ATP is building, or has built, a large investment in a company, active ownership through continuous dialogue is an integral part of the overall investment process. In ATP's experience, companies can often be influenced through continuous dialogue, and, conversely, ATP is influenced by sound arguments and factual problems. ATP's degree of involvement in individual companies depends on several factors, including ATP's ownership interest, the size of the investment and required changes. Another factor could be, in ATP's assessment, an unfavourable turn of events for the company.

In its continuous dialogue ATP seeks to build a trusting relationship with companies to make a safe environment for discussing companies' problems and challenges. In order to have the most constructive dialogue with companies ATP always pledges confidentiality.

Dialogue through general meetings

ATP votes at annual general meetings in all listed companies in our portfolio. Here we account for ATP's voting practice in relation to ATP's listed international equities. Issues

ATP Supervisory Board's Policy of Active Ownership

Active ownership

1. We are an active investor which includes making use of our voting rights.

Supervisory Board

2. The Supervisory Board must act in the long-term interests of all shareholders.
3. We work to ensure that the Supervisory Board is independent of the day-to-day management.
4. We believe that the Supervisory Board has a control function in respect of the Executive Board and should actively participate in the preparation of the company's strategy.
5. We believe that members of the Supervisory Board (except for any employee representatives) should be elected for a short term so that they are frequently held accountable to the shareholders. The election of members to the Supervisory Board should be a transparent process, and it should be reported how the members' performance is evaluated.
6. We seek to create the best working conditions to ensure a well-functioning Supervisory Board, provided that the members work in the long-term interests of the shareholders. We have an obligation to give the Supervisory Board room to carry out the task they have been entrusted with.

Value Creation

7. We support work of the Supervisory Board, wherever we expect this to increase shareholder value.
8. As a general rule, we support proposals made by the Supervisory Board, but we do not support proposals which we believe to be detrimental to the rights or financial interests of the shareholders. Where we have a continuous dialogue with a company, we will vote against the proposals made by the Supervisory Board only when we believe that other means of influence have been exhausted.
9. We believe that a business-oriented integration of ESG can contribute to increasing the value of our investments. Furthermore, we believe that companies' lack of focus on basic principles and standards on ESG matters constitutes a risk that ultimately threatens the value of our investments.

Compensation

10. We believe that companies should have a pay policy to ensure that they are able to attract qualified labour.
11. The remuneration of the Executive Board should be carefully adapted to the conditions of the company and include both variable and fixed pay elements which strengthen the commonality of interests between the Executive Board and the shareholders. Performance-related pay must contribute to ensuring the company's long-term value creation.
12. The remuneration of the Supervisory Board should be fixed, but we prefer a share of the remuneration to be invested in shares in the company. Variable remuneration of the Supervisory Board may undermine the control function in respect of the Executive Board.

Information

13. We work to ensure that companies make all relevant information available to the shareholders whenever possible, while taking into account the company's competitive environment and the confidentiality of the information.

This includes:

14. companies providing a comprehensive description of their strategy and detailing how it contributes to long-term value creation.
15. companies' executive remuneration, including incentive schemes, being described comprehensively in the financial statements.
16. companies reporting comprehensively on their ESG matters.

and proposals at general meetings tend to be company-specific, varying from one country to another. In 2016, ATP exercised its voting rights at general meetings in 12 countries. From an investor's perspective, it is positive that the proposals are company-specific, because this allows investors to better form an opinion of the challenges and risk profile of the individual company. ATP always considers and decides on each proposal and voting item and seeks to understand the details of each proposal and place it in the context of the circumstances of the specific company. If, on one or more voting items, ATP intends to vote against the Supervisory Board and the company's own recommendations, ATP will seek to inform the company of ATP's intentions and motivation ahead of the general meeting.

Because the proposals are company-specific, comparison between voting items does not always make sense. This is why ATP chooses to report on three main items featuring at several general meetings.

On request, ATP will also make available information about concrete votes cast at annual general meetings of companies in ATP's portfolio.

Election of members to the Supervisory Board

The election of members to a company's Supervisory Board is essential to the company's long-term ability to generate a profit and value for its owners. Consequently, this issue features relatively prominently in ATP's Policy of Active Ownership. Actually, five out of the sixteen principles in the Policy concern the election of members to the Supervisory Board (see principles 2, 3, 4, 5 and 6). Seen from ATP's perspective, a Supervisory Board must act in the long-term interests of all shareholders and serve as an independent control function in respect of the company's Executive Board. These are the principles guiding ATP's decisions and positions on specific voting items.

Voting statistics for the election of members to the Supervisory Board



In 2016, ATP voted in favour of 81 per cent of the proposals for the election of members to Supervisory Boards and against 19 per cent of the proposals. One reason why ATP

voted against proposals for the election of members to Supervisory Boards is that in ATP's assessment, the duration of the term was too long. ATP believes that, in order to be held accountable to the shareholders, Supervisory Board members should be up for election regularly. Secondly, the Supervisory Board was in some instances not sufficiently independent of the company. ATP believes that the Supervisory Board should generally be independent of the company. This also means that ATP votes against the same person occupying the role of chairman of the Supervisory Board and CEO. ATP believes that the roles of chairman of the Supervisory Board and CEO are fundamentally different and should be occupied by two separate individuals to avoid undermining the Supervisory Board's control function in respect of the Executive Board.

However, producing statistics of and reporting on election of members to the Supervisory Board is not simple. In most of the markets in which ATP is to vote, the standard is for Supervisory Board members to be elected individually for a specific term, which makes transparent reporting easier. However, there are exceptions to this rule. For instance, in Italy, voting is not for individual members of the Supervisory Board but for a list of individuals. Consequently, we cannot vote in favour of or against individuals, and one vote in favour of (or against) a voting item may entail that we have voted for, say, ten Supervisory Board members. ATP finds it appropriate to decide on each member of the Supervisory Board individually, and hence advocates individual voting for Supervisory Board members.

Pay policy

The remuneration of the Executive Board and Supervisory Board can be a topic of contention. Votes on pay packages for executives at general meetings are based on ATP's Policy of Active Ownership. ATP's general pay policy is set out in principles 10, 11 and 12. ATP basically finds that a company's pay policy should be structured with the company's long-term value creation in mind. The pay policy should also ensure that the company is able to attract qualified labour, and the pay packages should strengthen the commonality of interests between the shareholders and the Executive Board.

In 2016, ATP voted in favour of 80 per cent of the proposals relating to the remuneration of the Executive Board and Supervisory Board and against the remaining 20 per

cent. ATP's primary reasons for voting against remuneration proposals have been that ATP has found that the absolute pay level was too high – for instance compared with comparable companies – or that a mismatch existed between remuneration and company performance.

One of the challenges of reporting collectively on pay policy is that the scope of these proposals varies substantially. A number of countries have specific rules for the items to be put to the vote and how the voting items should be structured. The general rule in the election of members to the Supervisory Board is: one person, one vote. This does not apply to remuneration. The USA has a statutory requirement for 'say-on-pay' votes to occur at the general meeting at least every three years. These votes apply to the company's CEO and the four highest paid executives, the 'named executive officers' (NEOs). Under US law, the votes are advisory rather than binding on the Supervisory Board.

Voting statistics for remuneration



Votes on the pay package of the five NEOs of a US company are included in the statistics only once. Under Swiss law, the pay ceiling (cap) for both the Supervisory Board and Executive Board must be approved. For members of the Executive Board, the cap on both fixed and variable pay components are usually approved, entailing that each Swiss company typically has three votes on pay.

Shareholder proposals

Shareholder proposals may cover a variety of topics, depending on the focus areas of the market in question. Some proposals are very company-specific, while others address more general trends because organisations have put issues and proposals on the agenda to the general meetings of several companies. This means that ATP needs to understand the details of each proposal and place it in the context of the conditions of the specific company. ATP believes that our active ownership should be implemented to ensure that well-functioning Supervisory Boards are given the space and room to carry out the task they have been entrusted with, obviously provided that the members work in the long-term interests of the shareholders. Many

shareholder proposals are guided by good intentions – intentions that ATP often find sympathetic. A vote against a proposal does not necessarily mean that ATP does not share the proponents' concern about an issue. ATP may choose to vote against a proposal because we find the proposal too restrictive – for instance because it relies on very specific reporting templates. If ATP supports its intention but votes against a shareholder proposal, we contact the company directly. ATP points out to the company that they should consider how to accommodate our concerns by implementing specific initiatives.

While shareholder proposals are common in the USA, Denmark has much less of a tradition of such proposals at general meetings. Sweden is another example of a market with a relatively large number of shareholder proposals – typically very specific in nature. Some of the issues and proposals ATP has come across at several general meetings in the past year are 'proxy access' requirements, requirements for reporting of political contributions and lobbying, requirements for an independent Supervisory Board chairman, requirements for specific environmental reporting and requirements for a specific policy of labour rights and human rights in Israel. It is also relevant to bear in mind that not all shareholder proposals are drawn up to improve human, environmental or governance issues. ATP has also come across proposals to reduce the wages of the lowest-paid workers in an international food company to the minimum wage – a proposal ATP voted against. An overall view of ATP's voting practice in terms of shareholder proposals shows that, in 2016, ATP voted in favour of 25 per cent of the shareholder proposals and against the remaining 75 per cent.

Voting statistics for shareholder proposals



Proxy access is a frequent issue at general meetings of US companies. Proxy access provides better access for shareholders to nominate members for the Supervisory Board – to all intents and purposes giving them the same access to nominate candidates as the Supervisory Board. ATP generally supports these proposals, as we find that the shareholders should have real access to nominate members for the Supervisory Board.

Proposals to enhance the disclosure and transparency of lobbying activities and political contributions and donations were made at many US general meetings in 2016. Many companies already disclose donations and memberships. Moreover, companies are under a statutory obligation to disclose lobbying activities at federal and state levels. Lobbyists are required to disclose their donors, and recipients of political donations are required to disclose theirs. Therefore and due to the overall consideration of giving the Supervisory Board room to carry out their task (see principle 6 in ATP's Policy of Active Ownership), ATP decided not to support these proposals. In this connection, ATP pointed out to the companies that ATP finds the considerations underlying the proposal genuine and encouraged the companies to include them in their future reflections on lobbying activities and political contributions and donations.

An other proposal made by shareholders at several general meetings in 2016 was the requirement of an independent chairman of the Supervisory Board. This proposal is highly relevant in many markets because they do not have a tradition of separating the two roles. ATP believes that the roles of CEO and chairman of the Supervisory Board are fundamentally different and should be occupied by two separate individuals. Accordingly, ATP has supported shareholder proposals calling for separation of the two roles.

Shareholder proposals on environmental reporting are very diverse. When it comes to this issue, the content of the proposal and its context have a great impact on our vote. A proposal for companies to allow for the effects of higher temperatures in their business plans may be assessed differently, depending on whether it is made at a general meeting of a high-risk or a low-risk company. At the general meeting of a US oil and gas company, ATP chose to vote in favour of two shareholder proposals for climate analysis and climate reporting. ATP's vote was based on thorough internal analysis of climate risks in ATP's investments. ATP found the oil and gas company to be highly exposed to climate and emissions risks, but also lacking in the necessary climate management and control systems. The method underlying the analysis and ATP's data sources are described in more detail in the climate analysis case below.

Survey method for climate risk analysis

In 2016, using data provided by an external data provider that assesses thousands of companies, ATP decided to screen its investments in listed international equities for climate risks. ATP has used the analysis to identify companies that are particularly risk prone from a climate perspective. From ATP's perspective, a company is particularly risk prone if it is exposed to a specific risk and also has inadequate control and management systems. Therefore, the analysis consisted of two steps. In the first step, the analysis identified companies that were particularly exposed to climate risks – for instance new and stricter climate regulation. These companies include companies in sectors with high carbon emissions and companies with higher carbon emissions than their peers. In the second step of the analysis, ATP examined whether the companies had the systems to understand and address these risks looking forward. Here, ATP focuses on companies with poor scores on management and control systems.



This diagram illustrates the survey method. Number and location of companies in the diagram is indicative.

The survey showed that very few companies in ATP's international equity portfolio could be classified as high-risk companies. Following a specific assessment, ATP decided to vote in favour of climate proposals in two companies that were not classified as high-risk companies by the analysis.

In 2016, proposals were also made for companies to adopt the 'Holy Land Principles'. A private US organisation was the sponsor of these principles. The proposals were made at general meetings in a number of US companies. The essence of the principles is for companies to give equal rights to Israeli and Palestinian workers. To ATP, there is no doubt that labour rights should be equal, regardless of the country of origin of the workers, their political or religious affiliation, sexual preferences etc. But ATP will not require companies to adopt principles issued by various private organisations. ATP finds that companies should basically comply with the OECD Guidelines for Multinational Enterprises, for instance advocating equal treatment.

Several of the companies already have a written general policy for human rights and equal treatment. Consequently, ATP does not support the specific proposals for 'Holy Land Principles', but points out to the companies, in writing, that they are obviously required to comply with fundamental norms of human rights and labour rights.

At the general meetings of two companies, ATP voted in favour of shareholder proposals for the participation in mediation through local OECD mediation and complaints handling institutions of possible breaches of the OECD Guidelines for Multinational Enterprises, including human rights. Our reason for voting against the Supervisory Board of one of the companies was that they wanted a wider scope for finding a solution through channels other than local OECD institutions. Because the Supervisory Board failed to provide adequate alternative solutions, ATP decided to support the shareholder proposal and to vote against the Supervisory Board in the specific case.



ESG dialogue and ESG risk analysis

ATP believes that companies' ESG issues may impact their value creation. This is reflected in ATP's Policy of Active Ownership in which Principle 9 addresses ESG and companies' value creation and Principle 16 addresses companies' reporting on ESG issues.

As is also the case with ATP's other active ownership activities, the scope of ATP's ESG dialogue and risk analysis activities generally reflects the value of the investment and the size of ATP's ownership interest.

Since 2014, ATP has been engaged in concurrent ESG dialogue with the companies in ATP's portfolio with which ATP is also in continuous dialogue.

From ATP's perspective, the ESG dialogue has several purposes. Firstly, the dialogue enables ATP to gain a better understanding of and insight into the specific company's ESG risks and opportunities. Secondly, the ESG dialogue provides a means of highlighting ESG issues of a more general nature.

In 2016, the cross-sectoral ESG dialogue focused on companies' approach to tax issues and support of various organisations. Moreover, companies' approach to the UN Sustainable Development Goals (SDGs) was discussed at most meetings.

As a supplement to the ESG dialogue, ATP regularly conducts relevant ESG risk analyses across ATP's total portfolio of listed equities. The purpose of these thematic and risk-based analyses is not to establish whether a company has breached ATP's Policy of Social Responsibility in Investments. Rather, the purpose is to understand the ESG risks to which the companies in ATP's portfolio are particularly exposed and the extent to which the companies have robust processes in place to address these risks.

In 2016, based on data provided by an external data provider, ATP sought to screen its total equity portfolio for the ESG risks reflected in the ten UN Global Compact principles.

The analysis showed that, on average, ATP's equity portfolio as a whole is less exposed to both general human rights risks and environmental/climate and corruption risks than the average risk level among companies in the global equity market (MSCI World was used as a benchmark).

The survey indicated that a relatively higher proportion of the companies in ATP's portfolio were exposed to ESG risks in terms of labour issues than is generally the case in the global equity market (MSCI World). On the other hand, the analysis also showed that, on average, the companies are better equipped to address these risks than other companies with the same risk exposure (MSCI World).

In general, ATP currently integrates its ESG risk analysis work with proposals ATP comes across at general meetings globally (see the description of how ATP has included climate analysis in connection with specific shareholder proposals on page 15).

If an ESG risk analysis indicates that companies are substantially exposed to the risks addressed by specific proposals and the analysis also indicates that the company does not have robust processes in place to address the risks specified in the proposal, this provides important input to ATP's decision-making on the specific proposal.

ESG in alternative investments

Danish and international discussions on responsibility in investments typically focus on equity investments. Institutional investors are currently investing more funds in alternative investments. This also applies to ATP. In addition to traditional investments, ATP has investments in alternative assets such as real estate, infrastructure and forestry.

Working systematically with ESG across alternative investments is a relatively new concept among investors, and there is still no cross-sectoral standard solution for inte-



grating responsibility in such investments. For several years, ATP has been engaged in developing solutions and optimising business processes.

Solutions used in traditional investments are not necessarily transferable to alternative assets. To understand how best to include responsibility in alternative investments, it is essential to understand some special characteristics of these types of investment. Firstly, alternative investments tend to be more illiquid than traditional investments. An investment is essentially illiquid if it cannot be sold again quickly – at least not without risk of loss. Consequently, it is particularly relevant to examine financial and ESG issues thoroughly before making an investment. Secondly, investors are often more directly involved in the operation of the asset. This means that ATP regularly needs to take a position on specific issues and conditions relating to the investment while holding the investment.

It is generally very difficult to devise a formula for ESG in alternative investments. Environmental, social and corporate issues manifest themselves very differently, depending on whether they are seen in the context of forestry investments, real estate investments or infrastructure investments.

For instance, in forestry investments, it may be relevant to include issues of biodiversity, including the flora and fauna of the forest, or the working conditions of the forestry workers. As a direct investor in forestry, you need to consider and decide on the special conditions applying to the forests in question. As a case in point, the manager of one of ATP's US forests has employed a certified wildlife biologist to ensure the protection of biodiversity and in particular an endangered and protected US woodpecker species in the operation of the forest.

In real estate investments, environmental and climate issues are relevant both in the design and construction phases and in the operation of the buildings.

ATP's infrastructure investments are very diverse. ATP's investments include everything from gas pipelines over metro stations to port terminals and roads – and for each asset, ESG risks manifest themselves differently. Although ATP is constantly seeking to systematise its processes, ATP needs to consider and decide on the risk factors of each investment.

ESG and real estate investments

Through its subsidiary ATP Ejendomme, ATP invests in both existing real estate and new construction. ATP invests both directly, in partnership with other institutional investors and through funds. For some direct investments, ATP Ejendomme is also responsible for the property management.

Focus on healthy indoor climate in energy efficient new construction

As a real estate investor and manager, it is natural for ATP to take an active interest in climate issues. When ATP is involved in new construction, sustainability and energy efficiency are priority factors. New energy efficient construction could mean lower energy consumption, ensuring lower expenses for tenants and a greener footprint. Climate is prioritised as a key area, but it is important also to include other parameters in the design and operation of buildings. Indoor climate in energy efficient new construction is a focus area for many real estate investors, because a poor indoor climate, draft, air that is too cold or too hot are known to be among the issues leading to poor employee job satisfaction. Indoor climate is also an issue ATP takes very seriously, both when developing and managing our real estate investments.

Due to the construction of energy efficient buildings, mechanical ventilation and cooling systems are often necessary to ensure a healthy and comfortable indoor climate. In large office buildings, it may take time to adjust and fine-tune the systems for optimal working comfort for the people using the premises. Therefore, indoor climate is an issue that must remain in operating focus throughout the life of the building. Just as ATP helps its tenants save money and reduce carbon emissions through collaboration, dialogue and advice, ATP also advises on indoor climate.

Energy efficiency of the existing housing stock

ATP is engaged in developing and building new real estate, but old or existing buildings make up a large portion of ATP's real estate portfolio. Although old buildings do not meet the standards of sustainable new construction, ATP seeks to optimise the buildings and their operation according to the highest standards. ATP collaborates with Green Building Council and is actively involved in Green Building Council Denmark. In this context, ATP has participated in a pilot project on sustainability certification of existing office buildings. As part of the pilot project, ATP's premises at A. C. Meyers Vænge 9 were silver-certified.

Energy optimisation of Odense Banegård Center

For many of ATP's real estate investments, ATP is also responsible for operating the buildings. ATP plays a role in continuously optimising operations and energy consumption in collaboration with its customers. In Odense Banegård Center (railway station and shopping centre), which is owned and operated by ATP, an old existing cooling system needed replacing. This meant that ATP was able to replace the system with a more energy efficient solution. After the first summer of operation, the cooling power consumption was reduced by 50 per cent relative to the power consumption in 2014. This generates carbon emissions savings for ATP's customers in Odense Banegård Center and cost savings on the income statement of about DKK 250,000 per year.



ESG and infrastructure investments

ATP is constantly seeking to develop and consolidate ESG in its various types of infrastructure investment. Before investing in infrastructure, ATP performs thorough analysis and due diligence processes in respect of the specific investments. ESG factors are included in line with other risk factors such as legal and financial risks. ATP organises its business processes and ESG processes differently, depending on the investment structure. In infrastructure investments, a distinction is typically made between three types of investment: fund investment, co-investment and direct investment. ATP typically spends more internal resources on ESG due diligence when ATP invests directly in a company or an asset.

For a number of years, ATP has been working to obtain better and more relevant reporting from our infrastructure managers for the management of infrastructure investments. In 2016, ATP had a special focus on two things. Firstly, as a founding member of the GRESB Infrastructure organisation, ATP has been collaborating with international colleagues on developing and implementing the organisation's reporting standard, which serves as a benchmark tool for ESG performance across infrastructure investments. Read more about this work below. Secondly, ATP has been looking into how SDG reporting can be structured in a way that is clear and easy for the relevant managers to use. For instance, ATP has investments in a fund investing exclusively in emerging markets. ATP has wanted this fund to report on its sustainable development activities and the positive impacts of its investments on the 17 global Sustainable Development Goals (SDGs).

ATP uses data from these reports to provide an overview of ESG performance across its infrastructure investments, but also uses data to assess whether it is relevant to engage in dialogue with selected managers and business-partners on performance and risks.

Across ATP's infrastructure investments, both direct investments and through funds, ATP requires investments to observe ATP's Policy of Social Responsibility in Investments. ATP also ensures that funds and external managers are aware of relevant international guidelines.

Green additional return on ATP's forestry investments

Responsibility is also part of the investment process in ATP's forestry investments. Before executing an investment, ATP incorporates a wide range of ESG considerations. Environmental and climate considerations are key factors in forestry investments, both in risk assessments and in terms of return expectations. ATP has approx. 300,000 hectares of forest, all in North America and Australia. Forests absorb and bind carbon from the atmosphere when trees grow leaves, branches and roots. Trees bind an increasing amount of carbon as they grow. This effect is recognised by international agreements, which have opened up the possibility of offsetting the carbon stored in new forests in the national carbon accounts. Overall, ATP's forestry investments absorb and bind carbon equivalent to the annual carbon emissions of 15 million cars.

For some of ATP's forests, we have entered into conservation agreements. Under these agreements, ATP undertakes to reserve forest areas in these forests in the interest of environmental and biodiversity protection. When signing conservation agreements, ATP obviously factors this element into the purchase price agreed on and into its return expectations. Reserved and protected forest and natural areas are often used as recreational areas for tourists and local residents. In addition to using the forests as recreational areas, ATP can convert the reserved forest areas into money without logging the forest by monetising the growth saved up in the forests. This is done by selling the carbon stored in standing trees (carbon offsets) in carbon markets. The trees remain in the reserved areas and, at the same time, ATP obtains an additional return for Danish pensioners from the growth in carbon offsets, which increase as the trees grow.

At the same time as providing sound and stable financial returns, ATP's forests are all operated according to high environmental, sustainability and social standards, matching the requirements applying to FSC-certified forests. ATP FSC certifies its forest areas when this makes sense financially. Financial rationales are, for instance, better market opportunities for special types of wood when FSC-certified. ATP has FSC-certified forest areas in the Australian state of Queensland and the US state of New York, among other places.

Due diligence of European company

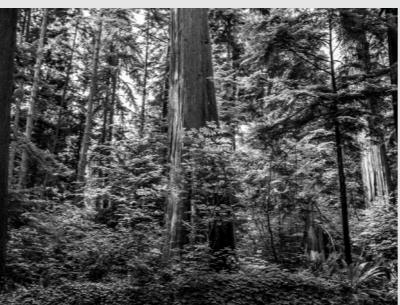
ATP performed due diligence of a European company in connection with a substantial investment. During the due diligence process, ATP discovered that the company had contractual obligations with a company with problematic activities in a controversial area. Through the investment, ATP might inadvertently contribute to breaching the OECD Guidelines for Multinational Enterprises. ATP saw no opportunity for dialogue with the partner in question and, during the negotiations, chose to engage in dialogue with the company about phasing out the collaboration with the partner. Due to the size of ATP's possible investment, ATP wielded negotiating clout, and ATP managed to ensure that the collaboration was phased out before ATP entered into business relations with the company.

GRESB Infrastructure and ATP's infrastructure investments in Africa

In 2014, ATP was a founding member of the GRESB Infrastructure organisation, serving as a tool for providing systematic assessment, objective scoring and peer benchmarking of the ESG performance of infrastructure investments. A number of investors and pension companies partnered to develop the tool to enable companies and funds to communicate ESG performance to their investors within a consistent framework. ATP encourages its infrastructure investments to report to GRESB Infrastructure. Read more about GRESB Infrastructure on page 23.

Although GRESB Infrastructure is a new organisation and its first data were made available only in mid-2016, ATP has already benefited from the tool in terms of understanding and managing its investments looking forward.

Investments in emerging markets may involve special ESG and financial risks for investors. GRESB Infrastructure provides us with a specific benchmark for scoring the measures taken by the companies to address these risks and challenges. Some of the special risks facing investors in emerging markets are turmoil, corruption, limited regulation and immature legal systems. ATP has investments in a company which installs and operates infrastructure systems in a number of Sub-Saharan countries. As a direct investor in emerging markets, you need to know and address these risks, both before the investment is executed and in the current asset management. The countries in which the company operates all have governance challenges and are difficult to operate in, which places substantial requirements on the company's policies, processes and conduct. Prior to the investment in the company, ATP performed risk assessment and due diligence of the company, which included ESG risks. The GRESB Infrastructure reporting provides us with a benchmark for the first time, which shows that the company performs well and has implemented satisfactory policies and systems – also compared with peer infrastructure companies operating in more developed markets.



Dialogue, knowledge building and knowledge sharing

ATP continues to focus on developing its knowledge on and strengthening the integration of responsibility in investments. ATP aims to develop its knowledge on responsibility through its membership of various organisations and networks and by continuously engaging in dialogue with investors, experts and stakeholders. On page 23, you can read more about ATP's membership organisations. By being active in organisations and networks on responsible investment, ATP can also enter into specific collaborations with other investors on relevant and current issues where this makes sense and where common ground can be found. Such specific collaborations between investors can bring clout and influence.

Knowledge sharing and collaboration with investors

Knowledge sharing, exchange of experiences and collaboration are key terms in several of the organisations and networks of which ATP is a member. ATP uses the organisations as a forum for learning, inspiration and discussion. ATP finds that the knowledge dissemination and the practical exchange of experience in these organisations and networks help to further consolidate ATP's responsible investment activities.

ATP follows international debates on corporate governance and active ownership, primarily through its membership of the International Corporate Governance Network (ICGN). ICGN is an investor-led organisation, the mission of which is to promote effective standards in corporate governance and active ownership. ATP participates in the organisation's general discussions and is updated with new knowledge on new trends in international corporate governance. In 2016, ATP participated in the annual meeting where current issues of corporate governance were discussed. Due to ATP's seat on the Committee on Corporate Governance and its chairmanship of the Committee's working group on stewardship activities, it has been particularly important for ATP to keep abreast of the latest knowledge, international trends and standards through ICGN. ATP has also used the network for bilateral discussions with relevant individuals and organisations with insights on international and national standards of active ownership (stewardship).

ATP follows Danish and Nordic debates on responsible investment through Dansif and Nordic SIF. Dansif is a Danish network for professional investors, consultancy companies and other parties engaged in responsible investment

in Denmark. Dansif's objective is to exchange experience among the members of the forum and facilitate a diversified debate on responsible investment. ATP is active on Dansif's Board of Directors and the sub-committee planning professional events and presentations. Through Dansif, ATP was a co-organiser of several responsible investment events in 2016, including one on the international efforts to classify investment funds based on responsibility, sustainability or ethics. This event was very well attended and enabled participants to understand and ask critical questions in relation to rating bureau methodology and data basis. ATP was also a co-organiser of an event on cyber security, which is considered an increasing financial risk for companies and investors. At this event, the risk scenario was outlined, and investors' roles and opportunities for engaging in dialogue with companies on cyber risks were discussed. Nordic SIF is the Nordic network for responsible investors. ATP is active in the network and attended the annual meeting in Helsinki where representatives of Nordic pension funds and other professional investors gathered to be updated on specific projects and experience gained from the responsible investment activities in the other Nordic networks. At the annual meeting, participants were updated on the preliminary work of several organisations to classify investment funds based on various environmental and climate indicators.

ATP has been a member of the two international organisations CDP (formerly the Carbon Disclosure Project) and the Institutional Investors Group on Climate Change (IIGCC) for a number of years. In both organisations, knowledge and experience are exchanged between members, but the main objective of the organisations is to serve as forums for collaboration. In CDP, ATP is a member and investor signatory. CDP encourages both Danish and international companies to disclose greenhouse gas emissions on behalf of its members. In addition to the activities in CDP, ATP also engages in independent dialogue with selected companies which do not yet disclose or publish their climate impact. IIGCC is a forum for collaboration on climate change for investors. The members agree that political and regulatory uncertainty is among the greatest barriers to green investment and that predictable, credible policy frameworks at international, regional and national level will increase institutional investors' investment in low-carbon energy and green conversion. IIGCC's task is to coordinate and deliver this message to political decision-makers. In 2016, through IIGCC, ATP co-signed a joint investor letter to the leaders



DANSIF

UN Global Compact

ATP supports the UN Global Compact, a UN initiative establishing ten general principles for companies' responsibility efforts. These principles are based on international conventions on human rights, labour rights, environment and climate and anti-corruption. Member companies commit to reporting on activities and progress.

IIGCC

The Institutional Investors Group on Climate Change

ATP is a member of IIGCC. IIGCC is a forum for international investors, providing a collaborative platform to encourage political decision-makers to implement policies that address long-term risks associated with climate change.

PRI Principles for Responsible Investment

Principles for Responsible Investment (PRI)

ATP rejoined PRI three years after leaving the organisation. Read more about the decision to rejoin PRI on page 25. The organisation promotes responsible investment and disseminates the six UN-backed Principles for Responsible Investment. The aim of the principles is for investors to incorporate ESG issues into their investments.

CDP

CDP (formerly Carbon Disclosure Project)

ATP is a member of CDP and a co-signatory of CDP's Climate Change Program. CDP is a global climate organisation. Through CDP's Climate Change Program, members motivate companies and cities to measure, manage and disclose their greenhouse gas emissions.

GRESB[®] REAL ESTATE

GRESB Real Estate

ATP is a member of GRESB Real Estate, which provides the basis for benchmarking the ESG performance of specific real estate assets or real estate funds on behalf of institutional investors. By aligning reporting, a benchmark is provided that may strengthen internal policies and processes in this area.

ICGN

International Corporate Governance Network

ATP is a member of the International Corporate Governance Network, an investor-led organisation, the mission of which is to promote effective standards in corporate governance and active ownership (stewardship). ICGN provides recommended policies, coordinates working groups and points out broad trends in corporate governance and active ownership (stewardship).

EITI

The Extractive Industries Transparency Initiative (EITI)

ATP is a supporting member of the EITI, a global standard to promote openness, transparency and accountability in the management of natural resources. In countries implementing the EITI standard, governments and companies are required to disclose information on key steps in the management of revenue generated by the extractive industries.

GRESB[®] INFRASTRUCTURE

GRESB Infrastructure

ATP is a founding member of GRESB Infrastructure and a member of its advisory board. The purpose is to assess and benchmark the ESG performance of companies and funds engaged in infrastructure. Companies and funds reported to GRESB Infrastructure for the first time in 2016.

of the G20 countries, urging them to implement predictable climate regulation to expand green investment.

In investor organisations and discussions on responsibility in investments, the focus tends to be on equity investments. However, ATP also invests in other types of assets and therefore keeps updated on ESG risks involved in other types of assets such as real estate and infrastructure. To enhance the understanding of and strengthen the responsibility activities in its real estate and infrastructure investments, ATP has chosen to be a member of GRESB Real Estate and a founding member of GRESB Infrastructure. ATP also serves on the GRESB Infrastructure Advisory Board and is active in ensuring the organisation's continued relevance to investors. The purpose of this organisation is to assess and rate various real estate and infrastructure assets and funds. GRESB Real Estate and GRESB Infrastructure contribute knowledge for understanding and comparing the ESG risks of various types of real estate and infrastructure investments. ATP encourages funds and assets in which ATP has invested to report to GRESB Infrastructure and GRESB Real Estate to be able to continue optimising its activities and processes.

ATP has also exchanged experience and knowledge with international investors in informal contexts. In 2016, Asian and North American investors visited ATP, wishing to understand and learn from ATP's responsible investment activities and exchange knowledge and experience on the integration of responsibility.

Knowledge sharing and collaboration in other organisations

ATP supports the UN Global Compact and has submitted Communication on Progress to the UN Global Compact since 2012. For several years, ATP has been engaged in implementing the ten principles in its responsible investment activities, for instance in the screening efforts described in the chapter 'Screening and exclusions'. The UN Global Compact is active in communicating the global Sustainable Development Goals (SDGs), adopted by world leaders in 2015. ATP has followed the discussions on SDGs in Denmark and internationally. In spring 2016, the ATP CEO participated in a high-level UN debate in New York on the role of institutional investors in achieving the SDGs. In 2016, ATP also participated in the Nordic Global Compact Network meeting in Oslo. The focus was on companies' role

in achieving the SDGs, including the role of the financial sector. In the course of 2016, ATP also launched internal efforts to understand the 17 goals and 169 sub-goals from an investor perspective.

Dialogue with experts and other stakeholders on ESG

In addition to being active in collaboration forums and organisations, ATP prioritises engaging in dialogue with various organisations and NGOs on responsible investments and responsibility in a broader sense. Each year, ATP receives numerous surveys and questionnaires on environmental, climate, human rights, labour and corruption issues from a variety of NGOs and media. ATP responds to these surveys to the extent possible. The financial sector has experienced growing demand from NGOs and media for information on responsible investment. In 2016, in response to this demand, a financial sector representative set up a round-table discussion with Danish financial institutions on questionnaires from NGOs and media on sustainability and responsibility. The purpose of the round-table discussion was to share experience on questionnaires and criteria for prioritising participation in surveys. ATP spoke at the meeting and shared its considerations and experience with participation in questionnaire surveys. The media Danwatch was invited to the meeting to explain the background for the questionnaires and the methods of investigative journalism.

ATP prioritises direct dialogue with its stakeholders on responsible investment over generic surveys and finds that direct dialogue and two-way communication are of greater value to ATP and ATP's stakeholders. Questions from NGOs and media tend to be so complex that they are not readily answerable in a questionnaire. In the course of the year, ATP therefore prioritised engaging in dialogue with its stakeholders – in the form of one-on-one meetings, presentations at debate events, dialogue meetings and round-table discussions.

In 2015, ATP attended dialogue meetings with NGOs and companies on tax payments, focusing on developing countries. The series of dialogue meetings continued in 2016, and ATP continues to be an active participant at the meetings.

In 2016, the Danish Institute for Human Rights hosted a round-table discussion on human rights and sustainable growth. ATP attended this meeting with selected busi-

ness executives, experts, representatives of civil society organisations and officials to discuss the broad themes of sustainable growth and human rights. The objective was to provide specific inputs to the government-appointed foreign policy reviewer, Ambassador Peter Taksøe-Jensen, for his review of Denmark's foreign policy.

In 2016, ATP and a number of other Danish pension funds attended a dialogue meeting with six Danish NGOs. At this event, investor representatives and NGO representatives discussed the issues regarding the implementation of the OECD Guidelines for Responsible Business Conduct and investor transparency on active ownership.

ATP was a speaker at a dialogue meeting arranged by FSR, Danish Auditors, at which ATP accounted for its work with

the OECD Guidelines for Multinational Enterprises in practice and in the screening of its listed equities.

In 2016, WWF prepared a report on the investments of Danish pension companies, assessing and rating the pension companies according to the WWF's own criteria for the climate efforts of pension companies. ATP subsequently held a dialogue meeting with the organisation, thoroughly accounting for its approach to climate investment and the incorporation of climate issues in various types of investment. In addition to the meeting with WWF, ATP also held a meeting with a representative of the group 'Ansvarlig Fremtid' (Responsible Future), which focuses on climate and investments. At this meeting, ATP also accounted for its approach to climate investments.

The story behind ATP's decision to leave and later rejoin PRI

In December 2016, ATP decided to rejoin the PRI organisation three years after leaving the organisation. ATP has been an active supporter of the six UN-backed Principles for Responsible Investment, both before and after leaving the PRI organisation in 2013.

In 2007, ATP was the first Danish investor to join the PRI organisation. In the following years, ATP was an active participant in the organisation's work. ATP for instance used the organisation to collaborate with other investors on developing new approaches for incorporating ESG in various asset classes and – in partnership with the other members – used the organisation's collaboration portal to engage in dialogue with companies. ATP contributed as a speaker at the organisation's annual meetings and was closely involved in the development of a new reporting standard for the member investors.

In 2011, ATP became aware that PRI had radically amended the organisation's original Articles of Association without the involvement and approval of ATP and the then members. At the heart of ATP's dissatisfaction with PRI was a lack of democracy and transparency in the organisation after the amendment of the Articles of Association in 2010 to 2011. ATP would have preferred to contribute to solving the problems in PRI and spend a number of years in the organisation trying to influence it to restore a proper governance structure – unfortunately mostly to no avail. Therefore, ATP and other Danish investors decided to leave PRI in 2013 until a proper governance structure was restored.

Since leaving PRI, ATP has been engaged in constructive and continuous dialogue with the organisation's management to ensure a proper governance structure. ATP has found that the organisation's responsiveness to our requirements increased substantially after we left PRI in 2013. Some of the changes ATP has noted are that PRI has changed both its Articles of Association and its governance structure, and has increased the transparency of the organisation's plans and decisions, and PRI's Board has been open to our arguments in the ongoing dialogue. This is why ATP decided to rejoin the PRI organisation in December 2016. In PRI, ATP will support the chair's strategy of developing PRI as an institution that promotes responsible investment, while respecting the variety of approaches to responsible investment globally.

About the ATP Group

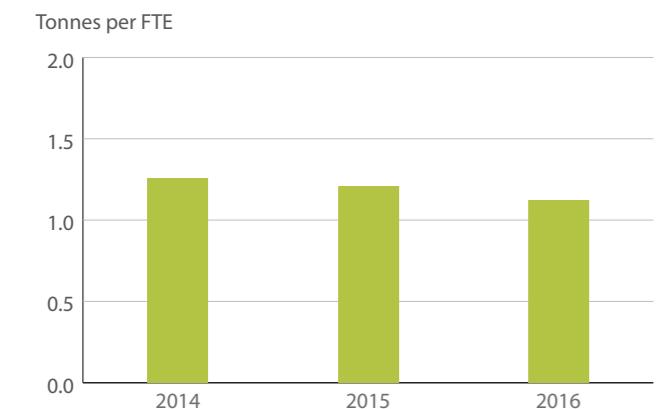
The ATP Group is a large workplace with 2,264 full-time employees in locations around Denmark. As a large employer with many offices, the ATP Group leaves its 'footprint' on society in the form of environmental, climate and employee impacts.

On these pages, ATP accounts for its environmental impacts, for instance through carbon emissions, electricity, heat and water consumption in ATP's Danish offices in Haderslev, Holstebro, Vordingborg, Frederikshavn, Hillerød

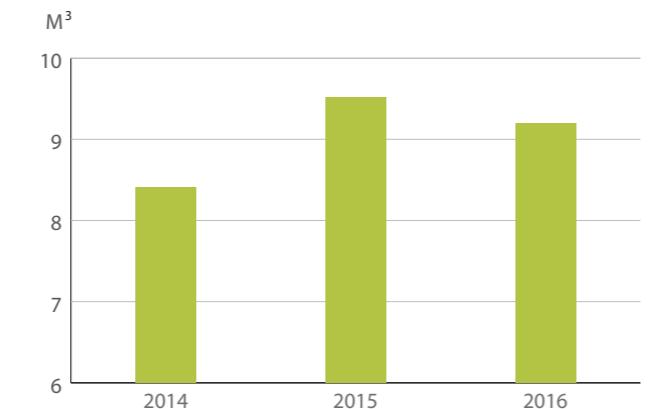
and Allerød and the offices of ATP's subsidiaries in Greater Copenhagen.

ATP's employees are employed at centres across Denmark. To provide an overview of the geographical distribution, the physical location of the employees is shown on the map below. On these pages, ATP also reports on other relevant employee data, including employee satisfaction survey results.

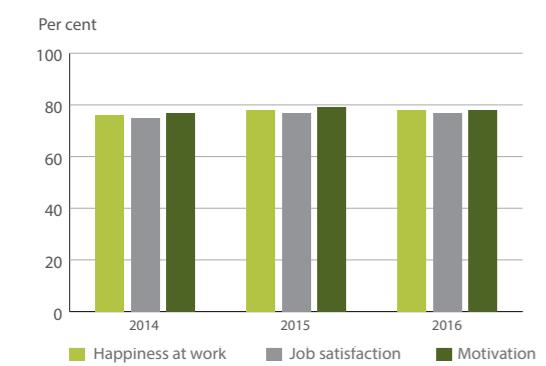
Carbon emissions per employee



Water consumption per employee

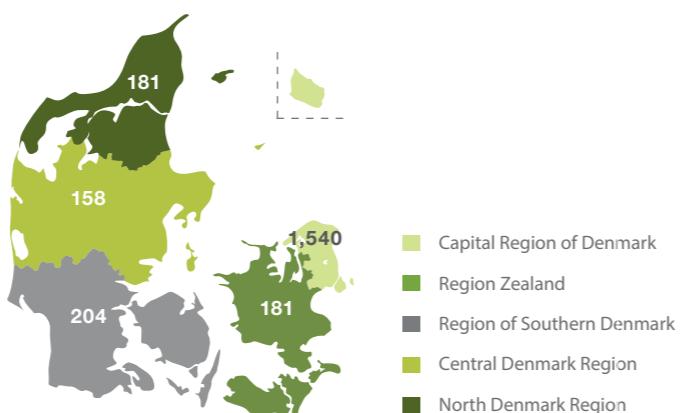


Employee welfare*



*Employee satisfaction survey data is based on ATP employees' own ratings of happiness at work, job satisfaction and motivation on a scale from 0 to 100.

Employees across regions



	2014	2015	2016
Facts about ATP¹			
Number of locations	8	8	8
Number of sq. m.	60.070	60.545	60.714
Number of full-time employees (FTE) ²	2.075	1.964	2.445
Consumption data			
Power consumption (MWh)	3.609	3.757	3.864
Heat consumption (MWh)	4.540	5.028	4.943
Heating degree day-adjusted heat consumption (MWh)	6.282	6.414	5.687
Water consumption (m³)	16.732	17.545	18.739
KPIs			
Area per employee	30	33	30
Power consumption per employee (kWh)	1.813	2.038	1.893
Power consumption per sq. m. (kWh)	60	62	64
Heating degree day-adjusted heat consumption per employee (kWh)	3.157	3.480	2.793
Heating degree day-adjusted heat consumption per sq. m. (kWh)	105	106	94
Water consumption per employee (m³)	8,41	9,52	9,20
Water consumption per sq. m. (m³)	0,28	0,29	0,31
Carbon emissions³			
Carbon emissions, heat consumption (tonnes)	819	931	910
Carbon emissions, power consumption (tonnes)	1.277	899	926
Carbon emissions, transport (own vehicles, taxis and aircraft travel) (tonnes)	412	408	447
Total carbon emissions (tonnes)	2.508	2.237	2.283
Carbon emissions per employee (tonnes per FTE)	1,26	1,21	1,12

1. On 1 July 2016, ATP took over the administration of Labour Market Insurance, which is based in Copenhagen. Number of locations, Consumption data, KPIs, Number of sq. m. and Number of employees in the table above do not include data from Labour Market Insurance.

2. Number of employees is determined as the average number of full-time employees in Denmark, excluding employees in Labour Market Insurance.

3. The calculated carbon emissions includes Scope 1 (emission factors for fossil fuels), Scope 2 (emission factors for power and district heating) and Scope 3 (emission factors for derived transport, power and district heating), calculated using the climate compass 'Klimakompasset.dk'.



Appendix 1: Global Compact references

	UN Global Compact	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	7, 8, 10, 14, 16, 17, 21-25 and 29-30
	2. Make sure that they are not complicit in human rights abuses.	
Labour Rights	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	7, 8, 14, 16-18, 21, 23-24, 26, 27, 30 and 38-39
	4. Elimination of all forms of forced and compulsory labour.	
Environment	5. Effective abolition of child labour	7, 8, 15, 16-24, 25-27 and 29-30
	6. Elimination of discrimination in respect of employment and occupation.	
Anti-Corruption	7. Businesses should support a precautionary approach to environmental challenges.	7, 8, 10, 14-17, 21, 23, 24 and 29-30
	8. Undertake initiatives to promote greater environmental responsibility	
	9. Encourage the development and diffusion of environmentally friendly technologies.	
	10. Businesses should work against corruption in all its forms, including extortion and bribery.	

Appendix 2: List of excluded companies

Company	Reason for exclusion	Year	Exclusion repealed
Aerojet Rocketdyne Holdings (tidigere Gencorp)	Cluster weapons	2008	2016
Aerostar	Cluster weapons	2008	2015
Aeroteh	Cluster weapons	2015	
Ashot Ashkelon	Cluster weapons	2015	
BAE Systems	Cluster weapons	2006	2015
Chevron	Trade embargo, Myanmar	2007	2014
China Aerospace International Holdings	Cluster weapons	2015	
China National Offshore Oil Corp (CNOOC)	Human rights	2007	
China National Oil and Gas Exploration and Development co	Trade embargo, Myanmar	2008	2014
China National Petroleum (CNPC)	Trade embargo, Myanmar	2007	2014
China Oilfield Service Ltd.	Trade embargo, Myanmar	2008	2014
China Petrochemical Corp (Sinopec)	Trade embargo, Myanmar	2007	2014
China Spacesat	Cluster weapons	2015	
Daewoo International Corp	Trade embargo, Myanmar	2007	2014
Dongfeng Automotive	Weapon embargo, Sudan	2009	
Dongfeng Motor	Weapon embargo, Sudan	2009	
Essar Oil	Trade embargo, Myanmar	2008	2014
Esterline Technologies Corp.	Cluster weapons	2016	
Gail India Ltd.	Trade embargo, Myanmar	2007	2014
General Dynamics	Cluster weapons	2006	2016
Genting Berhad	Biodiversity	2015	
Goodrich	Cluster weapons	2008	
Hanwha Corp	Anti-personnel mines	2007	
Hanwha Techwin Co., Ltd.	Cluster weapons	2016	
Hyundai Motor	Corruption	2009	
IHI Corporation (prev. Ishikawajima-Harima Heavy Industries)	Cluster weapons	2007	
IJM Corporation Bhd.	Biodiversity	2015	
Korea Gas Corporation	Trade embargo, Myanmar	2008	2014
L3 Communication Holdings	Cluster weapons	2006	
Larsen & Toubro Ltd.	Violation of NPT	2016	
Lockheed-Martin	Cluster weapons	2006	2016
Magellan Aerospace	Cluster weapons	2008	
Mangalore Refinery & Petrochemicals Ltd.	Trade embargo, Myanmar	2008	2014
Mitsubishi Oil Co.	Trade embargo, Myanmar	2008	2014
Motovilikha Plants JSC	Cluster weapons	2015	
Nippon Oil Corporation	Trade embargo, Myanmar	2008	2014
Nissan	Weapon embargo, Sudan	2009	
Norinco International Cooperation	Cluster weapons	2015	

Appendix 3: ATP's Policy of Active Ownership

Oil & Natural Gas Corp. (ONGC)	Trade embargo, Myanmar	2008	2014
Oil & Natural Gas Corp. Videsh	Trade embargo, Myanmar	2008	2014
Orbital ATK	Cluster weapons	2006	
Petrochina	Trade embargo, Myanmar	2007	2014
Petronas	Trade embargo, Myanmar	2007	2014
Petronas Daganga	Trade embargo, Myanmar	2007	2014
Petronas Gas	Trade embargo, Myanmar	2007	2014
Poongsan Corp	Cluster weapons	2007	
Posco	Biodiversity	2015	
PTT Aromatic	Trade embargo, Myanmar	2008	2014
PTT Chemical	Trade embargo, Myanmar	2008	2014
PTT Exploration and Production Comp.	Trade embargo, Myanmar	2007	2014
Raytheon	Cluster weapons	2006	2016
Rheinmetall	Cluster weapons	2008	2015
S&T Dynamics Co. Ltd.	Anti-personnel mines	2015	
Sears Canada	ILO	2008	
Sears Holdings Corp	ILO	2005	
Singapore Technologies Engineering	Anti-personnel mines	2006	
Sinopec Shanghai Petrochemical Co Ltd.	Trade embargo, Myanmar	2007	2014
Saab	Cluster weapons	2008	2015
Ta Ann Holdings Bhd.	Biodiversity	2015	
Target	ILO	2005	
Textron	Anti-personnel mines	2006	
Thales	Cluster weapons	2006	2015
Total	Trade embargo, Myanmar	2007	2014
Vedanta Resources	Human rights	2008	
Walchandnagar Industries Limited	Violation of NPT	2016	
Wal-Mart	ILO	2005	
Wal-mart de Mexico SA de CV	ILO	2007	
WTK Holdings Bhd.	Biodiversity	2015	
ZTE Corporation	Corruption	2016	

Background

ATP has a considerable interest in the markets for listed companies working according to the best international standards, in the general actions of the listed companies being subject to overall management and control, and in the pricing on the markets being as effective as possible.

Purpose

The purpose of a Policy of Active Ownership is to promote the companies' long-term value creation and thus contribute to achieving the highest possible long-term return for ATP's investors. ATP's conduct in all situations will be guided by that principle. ATP's Policy of Active Ownership, together with ATP's Policy of Social Responsibility in Investments, make up ATP's overall ESG policy for listed equities.

Process

The scope of ATP's Policy of Active Ownership in relation to a specific company generally reflects the value of ATP's investment and ownership interest.

Fundamentally, ATP has two ways of engaging with companies:

- Through continuous dialogue which involves an ongoing dialogue with companies and ATP making use of its right to vote at the companies' general meetings
- Through dialogue at general meetings where ATP makes use of its right to vote at the companies' general meetings.

The choice of method depends on a number of factors, for example factors related to ATP's ownership share and possibility of effectively engaging in an active dialogue. This is for instance reflected in ATP's active ownership in Denmark, where ATP typically has a higher exposure and therefore takes a more active approach through continuous dialogue. The dialogue with companies may, for example, concern strategy, results, risk, capital structure, corporate governance, corporate culture, remuneration of management and responsibility.

ATP handles all active ownership-related matters internally. We believe that by handling dialogue and corporate governance ourselves rather than hiring an external partner gives us special and important insight into a company's affairs. Furthermore, we believe that this is the only way to ensure the integrity of all votes and thereby maintain ATP's reputation with companies and other stakeholders.

ATP uses a proxy advisor (external partner), which provides ATP with information about companies and their general meetings. ATP handles the dialogue with companies on the voting and takes the actual decision of what to vote.

The ultimate responsibility for ATP's active ownership lies with ATP's CEO. The work is coordinated by ATP's Committee on Social Responsibility.

Recommendations on Active Ownership

ATP has contributed to and supports the development of the Recommendations on Active Ownership of the Danish Committee on Corporate Governance.

Like the Recommendations on Corporate Governance, the purpose of the Recommendations on Active Ownership is to promote the companies' long-term value creation and thus contribute to creating the highest possible long-term return for investors. The Recommendations on Corporate Governance and the Recommendations on Active Ownership are thus mutually reinforcing with regards to the common purpose.

ATP draws on the Recommendations on Active Ownership, and any deviations from the recommendations are explained as required in the recommendations.

As recommended by the Recommendations on Active Ownership, ATP prepares an annual statement on the individual recommendations in the Recommendations on Active Ownership according to the 'comply or explain' principle.

ATP Supervisory Board's Policy of Active Ownership

Active ownership

1. We are an active investor which includes making use of our voting rights.

Supervisory Board

2. The Supervisory Board must act in the long-term interests of all shareholders.
3. We work to ensure that the Supervisory Board is independent of the day-to-day management.
4. We believe that the Supervisory Board has a control function in respect of the Executive Board and should actively participate in the preparation of the company's strategy.
5. We believe that members of the Supervisory Board (except for any employee representatives) should be elected for a short term so that they are frequently held accountable to the shareholders. The election of members to the Supervisory Board should be a transparent process, and it should be reported how the members' performance is evaluated.
6. We seek to create the best working conditions to ensure a well-functioning Supervisory Board, provided that the members work in the long-term interests of the shareholders. We have an obligation to give the Supervisory Board room to carry out the task they have been entrusted with.

Value Creation

7. We support work of the Supervisory Board, wherever we expect this to increase shareholder value.
8. As a general rule, we support proposals made by the Supervisory Board, but we do not support proposals which we believe to be detrimental to the rights or financial interests of the shareholders. Where we have a continuous dialogue with a company, we will vote against the proposals made by the Supervisory Board only when we believe that other means of influence have been exhausted.
9. We believe that a business-oriented integration of ESG can contribute to increasing the value of our investments. Furthermore, we believe that companies' lack of focus on basic principles and standards on ESG matters constitutes a risk that ultimately threatens the value of our investments.

Compensation

10. We believe that companies should have a pay policy to ensure that they are able to attract qualified labour.
11. The remuneration of the Executive Board should be carefully adapted to the conditions of the company and include both variable and fixed pay elements which strengthen the commonality of interests between the Executive Board and the shareholders. Performance-related pay must contribute to ensuring the company's long-term value creation.
12. The remuneration of the Supervisory Board should be fixed, but we prefer a share of the remuneration to be invested in shares in the company. Variable remuneration of the Supervisory Board may undermine the control function in respect of the Executive Board.

Information

13. We work to ensure that companies make all relevant information available to the shareholders whenever possible, while taking into account the company's competitive environment and the confidentiality of the information.

This includes:

14. companies providing a comprehensive description of their strategy and detailing how it contributes to long-term value creation.
15. companies' executive remuneration, including incentive schemes, being described comprehensively in the financial statements.
16. companies reporting comprehensively on their ESG matters.

Recommendations on Active Ownership of the Committee on Corporate Governance

1. *The Committee recommends* that institutional investors publish a policy of active ownership in connection with equity investments in Danish listed companies.
2. *The Committee recommends* that institutional investors regularly monitor and engage in a dialogue with the companies they invest in, with due regard to the investment strategy and the principle of proportionality.
3. *The Committee recommends* that institutional investors as part of the policy of active ownership establish a policy for when and how they intend to increase their active ownership over and above the regular monitoring and dialogue.
4. *The Committee recommends* that institutional investors as part of the policy of active ownership establish a policy for their collaboration with other investors with a view to maximising effectiveness and impact.
5. *The Committee recommends* that institutional investors as part of the policy of active ownership adopt a voting policy and be willing to disclose if and how they voted.
6. *The Committee recommends* that the policy of active ownership describe how conflicts of interest in terms of active ownership are identified and handled.
7. *The Committee recommends* that institutional investors every year report on their active ownership activities, including voting activity.

Appendix 4: ATP's Policy of Social Responsibility in Investments

Objective

ATP's investments are to ensure that the members get the best possible pension benefits in return for their contributions. In the words of the ATP Act, this means that ATP's funds are to be invested in an expedient manner, for the benefit of the members, the aim being to preserve the real value of the funds. Corporate social responsibility (CSR) is usually the precondition for long-term, healthy earnings – and thus for the preservation of the real value of equity investments.

The objective of the ATP Policy of Social Responsibility in Investments (SRI) is to safeguard the value of ATP's investments and to be instrumental in obtaining the lowest possible capital costs for the companies through a focus on and respect for social responsibility.

The aim is also for ATP's commitment to social responsibility to benefit any employees, companies and local communities affected by an ATP investment.

Responding appropriately to SRI issues is a key element of ATP's fiduciary responsibility on behalf of our members.

Definition

ATP's commitment to SRI comprises a wide range of issues of relevance to society – the so-called ESG-issues (Environmental, Social and Governance Issues).

ATP's commitment to SRI takes its outset in the ATP Policy of Social Responsibility which lays down a number of requirements for the companies in which ATP invests. Firstly, they shall respect the rule of law in the countries in which they operate; and secondly, they shall respect the

rules, norms and standards that ensue from conventions and other international agreements ratified by Denmark – this applies irrespective of whether the country in which the company operates has ratified those agreements.

This means that ATP does not purchase equities in companies engaged in activities that contravene any conventions and international agreements ratified by Denmark, even if the activity in question is entirely legal in the country in which the company operates.

Within ATP, the commitment to the Policy of Social Responsibility is closely allied to the Policy of Active Ownership.

Assumptions and goals

ATP's SRI activities are founded on a number of overriding considerations:

- CSR is usually the precondition for long-term, healthy earnings, and thus for the preservation of the real value of investments
- Considerations regarding return on investment and considerations regarding CSR will – especially over a longer time perspective – tend in the same direction
- The SRI activities shall rest on facts rather than subjective opinion
- Decisions made with reference to the ATP policy shall be supported by the best possible foundation for opinion-forming and decision-making
- ATP respects that circumstances in other parts of the world may impose other limitations on the compa-

nies' operations than those prevailing in Denmark and Western Europe

- ATP's SRI activities shall be characterised by consistency, predictability, commitment and transparency
- The ATP Policy of Social Responsibility is founded to a considerable degree on objective criteria in that it refers to politically adopted structures in the form of national legislation and international agreements.

The Committee for Social Responsibility

ATP's activities in SRI are coordinated by a special internal Committee for Social Responsibility, chaired by the CEO of ATP. The Committee convenes four times a year, supplemented by ad hoc sessions.

The Committee is to ensure that evaluations with reference to SRI are based on facts, and that the evaluations are as objective as possible.

At the same time, the Committee serves as the coordinating forum for ATP's internal discussions concerning developments.

Finally, the Committee is the coordinating body for ATP's ongoing efforts to improve its performance in SRI. This applies, for example, to decisions concerning more in-depth analysis of individual companies or particular issues of concern and to decisions to explore alternative methods and approaches.

Integration into day-to-day investment practices

Under the first of the six UN PRI principles, ATP has an ongoing commitment to incorporating ESG issues in the day-to-day investment process in line with considerations regarding other business factors and risks.

Dialogue with the companies

ATP maintains ongoing dialogue with a number of the companies in which it has invested. As part of this dialogue, ATP also addresses SRI issues.

Screening

In the interests of ensuring that the companies in which ATP has invested comply with the requirements that ensue from the ATP Policy of Social Responsibility in Investments, ATP regularly screens its portfolio and, as required, performs more detailed analyses of individual businesses or individual issues of concern. This is often undertaken with the assistance of external parties.

The results of screening and analysis activities form part of the foundation for the efforts to ensure compliance with the ATP Policy of Social Responsibility in Investments, and may also form part of the basis for specific dialogues under active ownership.

Engagement

Information that a given business has – or is suspected of having – contravened the ATP Policy forms the basis for an engagement process. In this process, relevant allegations are investigated, and if they are confirmed, ATP will engage in dialogue with that business on how the points of criticism may be resolved or substantially improved upon.

Dialogue and focus on improvements constitute ATP's preferred remedy in relation to issues concerning CSR, while exclusion is seen as a remedy to be used when all other options have been exhausted.

In companies where ATP's ownership is limited and/or in companies which are of limited significance for ATP in terms of return on investment, ATP may, in the event of contravention of the ATP Policy, resolve to sell its equities without prior dialogue with the company.

Exclusion

If the inquiry process does not result in a satisfactory outcome for ATP, the company will be excluded from ATP's investment universe. ATP will then liquidate its investment in the company in such a way and over such a time frame as it deems reasonable from a financial and market perspective.

As part of its annual SRI reporting, ATP names investments that have been liquidated over the course of year with reference to SRI.

Policy of Social Responsibility in Investment

1. ATP does not purchase equities in companies that deliberately and repeatedly violate the rules laid down by the national authorities in the markets in which the company operates or by international organisations endorsed by Denmark.
2. Nor does ATP purchase equities in companies located in countries being subjected to a trade embargo imposed by the UN or the EU and endorsed by Denmark.

ATP does not maintain current information on companies in which it does not invest. This means that ATP is unable to publish a full, accumulated exclusion list.

There is no immediate obstacle to prevent ATP from investing in a company which it has previously excluded. This would, however, require a renewed analysis of that company.

Cooperation

Issues concerning SRI are to a great extent transnational. Accordingly, international cooperation is vital for progress in this area.

ATP is a signatory to the UN PRI. Core to this UN initiative is a set of principles governing the commitment by institutional investors to social responsibility.

ATP maintains ongoing dialogue with other Danish and international pension institutions on SRI issues. ATP seeks continuously to contribute actively to progress in this area.

ATP cooperates with other stakeholders that can be instrumental in raising the quality of ATP's activities.

Transparency and information

ATP attaches importance to a high degree of transparency in its SRI activities. As of 2010, ATP will be issuing an annual, independent report on SRI in which ATP's activities and progress in the area will be reported upon.

ATP attaches importance to transparency towards its members on SRI issues. This comprises the commitment to addressing ATP's activities in SRI on ATP's website and at the annual information meetings.

Executive management

The ATP Policy of Social Responsibility in Investments is determined by the ATP Supervisory Board.

Matters concerning the Policy which give rise to any doubt are brought before the ATP Executive Committee, and any departure from or interpretation of the Policy is approved by the ATP Executive Committee.

The ATP Executive Board manages ATP's investments within this framework and is jointly responsible with the

Committee for Social Responsibility for ensuring adherence to the framework.

Reports are made continuously to the ATP Supervisory Board concerning the commitment to Social Responsibility in Investments.

United Nations Principles for Responsible Investments

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

ATP's report on the status of compliance with the target figures set for the underrepresented gender

ATP's Supervisory Board has adopted a Diversity Policy with a defined target for the gender distribution of its senior management. The target is to have at least one third of the underrepresented gender on ATP's Board of Representatives (at least 11) and on ATP's Supervisory Board (at least 5). This target must be achieved by 1 April 2019.

The deadline has been set in view of the three-year election period applicable for members of the Board of Representatives and the Supervisory Board, which means that one third of the members are appointed each year. The target for the Board of Representatives was met with 11 women in 2016 (35 per cent), while the Supervisory Board continues to work towards its target and had four female members in 2016 (31 per cent), the same number as in 2015. There is no gender underrepresentation at other ATP management levels. ATP is constantly striving to increase the share of women in management, and the gender targets are part of ATP's Diversity Policy. The strategy has been to increase the focus and emphasis on diversity in connection with the recruitment of new employees and to dedicate efforts to the recruitment and development of internal talents in ATP's talent programme.

ATP's Diversity Policy

Innovative working environment

At ATP, we believe that the working environment is strengthened through diversity. We believe that diversity provides for a more dynamic, vibrant and inspirational working environment – for the benefit of both employees and customers. In other words, diversity among managers and employees is the basis for continuous innovation and competitiveness. Diversity expands our recruitment potential and ensures a wide range of skills in managers and employees.

Culture of diversity

Diversity should be a natural and embedded part of everyday work and be reflected in our culture. We want our workplace to support an inclusive environment for all employees, regardless of age, gender, ethnicity, sexual orientation or disability. We expect both managers and employees to help ensure that diversity flourishes and thrives in our workplace.

At ATP, diversity is about valuing employees because of, rather than in spite of, their differences. It is about seeing the potential of each employee and creating equal opportunities. One way to increase diversity is by sharpening our recruitment focus, focusing on the skills, development potential and contribution to diversity of each individual – for the benefit of the bottom line. When recruiting, we assess the candidate's professional skills, but we also emphasise that the candidate must be able to identify with ATP's values and possesses the right social and personal skills.

We want diversity to be reflected at all levels of the organisation. To that end, we need to ensure a diverse talent pool at both employee and management levels.

Having the courage and the will to embrace diversity

Diversity also makes demands on the organisation – in terms of openness, curiosity and having the courage and the will to embrace diversity. Success in creating a diverse workplace is a shared responsibility. Therefore, both managers and employees are expected to commit to contributing to the diversity of ATP.

No one should feel discriminated against because of their gender, age, ethnicity, sexual orientation or disability, either in their everyday working lives or in the recruitment process.

Inclusiveness

The diversity efforts are expected to be conducted in a respectful and trustworthy manner. We want our organisation to be inclusive, with room for people joining the organisation or people already employed with special needs. If, for a period of time or indefinitely, employees are unable to perform their job for health, social or personal reasons, ATP will seek, as far as possible, to ensure a continued affiliation with ATP by balancing the job and the employee's working capacity. In such cases, employees are

expected to collaborate with ATP and contribute actively to preserving the affiliation.

You and I

Diversity is about creating room for everyone to grow and deliver unique business results.

Diversity is also about including groups in need of special focus to grow and maximise their potential. In that sense, diversity is also about ATP's obligation to take on social responsibility.

		2014	2015	2016
Gender distribution among all employees	Women	70%	69%	67%
	Men	30%	31%	33%
Gender distribution on the Supervisory Board and the Board of Representatives	Women	36%	36%	34%
	Men	64%	64%	66%
Gender distribution among executives (CEO, CIO, COO, CFO, CRO, Senior Vice Presidents and Vice Presidents)	Women	35%	42%	42%
	Men	65%	58%	58%
Gender composition among managers, excluding executives	Women	52%	52%	52%
	Men	48%	48%	48%

