

The ATP Group

# 2022 Stewardship

Part of ATP's responsibility



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## Introduction

# Freedom with expectations

ATP's stewardship has an inherent contradiction - we allow companies their freedom but we also have expectations for them.

For us, it is important that companies have the freedom and space they need to run their businesses. ATP is an investor in these companies and not their CEO. It is the companies that know their own operations, customers and stakeholders best. We need to respect that and give them the manoeuvring room they need. In return, however, we expect that the companies are attentive to their long-term value creation and have a broad perspective on the opportunities and risks they are facing in their business.

### Freedom for companies

It is the companies that best know the reality they operate in - not ATP. Later in this report we will be talking about how ATP has exercised its stewardship in relation to the war in Ukraine. Many of the companies in our portfolio have faced very complex and multi-faceted issues. Instead of making simple demands for how all companies should react to the war in Ukraine, our starting point has been using a close dialogue with companies to understand their specific challenges, listen to their plans and try to challenge them to find the best solutions in a difficult situation.

It is only the companies themselves that can make the difficult judgements and make the many decisions that together are critical for how their companies will develop. These include decisions about who the company will hire and promote. In this report, we have a special focus on diversity in companies.

As a shareholder in these companies, ATP has a direct influence on who is being elected to their boards of directors. However, diversity-related challenges on the labour market are not limited to the composition of companies' boards of directors. As we will show in this report, the challenges are often greater among the lower management tiers and a sufficient pipeline of female managers at these lower tiers is a key factor in generally succeeding in overcoming the existing diversity challenges companies face.

### From general guidelines to specific expectations

ATP invests in a large number of listed companies both in Denmark and abroad. The individual companies differ on a wide range of parameters, and the challenges they are confronted with vary across industries, geographies, company sizes, etc.

Developing specific expectations for individual companies therefore requires that one first understands the individual company's unique situation and challenges. For quite a few years now, ATP has had an investment process for its investments in domestic equities that allows for the development of specific expectations for the individual companies. As you can read more about in this report, in 2022 we have also worked on applying this type of investment process to some of our Swedish equity investments which will allow us to develop specific expectations for these companies over time.

Conversely, ATP also has significant equity investments in international companies where the investment process does not allow for the same degree of insight into the individual companies' circumstances.

In such cases, our expectations for companies are of a more general nature and based on the principles specified in our policy for stewardship. Later in this report you will find specific examples of how ATP, based on the overall principles in ATP's policy for stewardship, addresses the individual questions at annual general meetings in international listed companies.

As an investor, ATP is continually attempting to clarify its expectations. For example, in 2022 we have worked with translating the principle in our policy for stewardship about comprehensive ESG reporting into general guidelines for companies. With more precise expectations, we will provide companies with clear guidelines for where we want them to shift over time. The work involved with establishing and communicating about our expectations for companies is also done as an integral part of our participation in companies' annual general meetings. Before the annual general meeting season begins, we therefore prepare more specific ATP expectations for particular matters that are relevant to certain companies.



## Diversity in boards of directors

# ATP puts diversity on the ballot in Japan

For a number of years, Acom's board of directors has been all male and ATP has previously voted against the election of board members to draw attention to this issue. In our voting intentions, which we sent to the company in connection with last year's general meeting, we stated our expectations for more diversity in the board of directors but we received no response from the company.

This year we chose to escalate by putting forth a shareholder proposal at the company's general meeting in the hope that more investors would support the proposal and thus put pressure on the company's board of directors. At the same time, there was also a learning process for ATP in terms of putting forth shareholder proposals.

It is no coincidence that it ended up being a Japanese company that we put forth our first general meeting proposal about diversity. From an international perspective, Japan is one of the countries where there are fewest female managers and therefore this was a natural next step in our work with diversity.

The specific proposal that we chose to put forth was titled *Amend Articles to Appoint at least One Male Director and One Female Director*.

ATP's expectations for boards of directors are that each gender should be represented by at least 30 per cent, and therefore the proposal does not quite match our general guideline. However, in our stewardship activities, our approach is based on the specific company's situation, and therefore we chose to offer a less ambitious proposal that had a greater chance of being adopted.

Despite our trying to offer a "less ambitious" proposal, the company's board of directors chose to vote against it. The company did so by referring to them recruiting board members that meet their requirements and have the right qualifications regardless of gender or nationality.

The international proxy advisor ISS chose to support the proposal with the following justification: "The board has been composed entirely of male directors at least since 2018 and

### WHAT IS A SHAREHOLDER PROPOSAL?

Typically, it is the company's board of directors that specifies the agenda at a general meeting, but one of the rights that shareholders have is to put forth shareholder proposals. This is a way of getting the company's other shareholders to consider a proposal or topic that the board of directors has not put forth.

Shareholder proposals have typically been most frequently used in the American equity markets, but there is a trend in recent years where it is also being used more frequently in other markets.

The various markets have put up some obstacles, however, that make it harder to put forth shareholder proposals. This is in itself quite reasonable, as it prevents a general meeting from being swamped with proposals, but conversely, the bar should not be set so high as to destroy shareholder democracy.

In Japan, the rule is that you must have 1 per cent of the shares or 30,000 shares for at least six months to put forth a proposal.

ensuring gender diversity at the board level should help the company, half of whose client base is female, to develop better products and services for clients."

ISS also wrote in its recommendation that ISS (in line with ATP's current practice) from 2023 will vote against board members if there is not at least one female member of the board of directors which, unfortunately, will also be the case in 2023.

With only 3.5 per cent of the votes being in favour, the proposal was not adopted as large Japanese shareholders such as Mitsubishi Financial Group did not vote in favour of it. This also illustrates another problem in the company, namely that Acom's board of directors also lacked members that repre-

sent the smaller shareholders and who are independent from the large shareholders.

Therefore, it was also our expectation that the proposal would fail to be adopted - but nevertheless, it has been a valuable process for ATP which has increased our knowledge of the corporate governance culture in the Japanese market.

Besides ISS' support for the proposal, we also noted support from the large American pension fund CalPERS and Calvert. However, we were disappointed to note that several trend-setting international investors did not support our proposal despite them publicly stating that they support more diversity in boards of directors.

### EXCERPTS FROM THE VOTING INTENTIONS FOR ACOM IN 2021

Already in 2021, we wrote to Acom that we found the lack of diversity in its board of directors to be problematic:

"At ATP we expect company boards to be diverse. While it is difficult overall to put to a formula, one of our requirements is gender representation on boards. Because of this we at minimum require both genders represented at the board level. Because your boards fail to live up to this requirement, we voted against the board members up for election."



## Diversity and equal opportunity

# All management tiers are important when it comes to equal opportunity

Diversity and equal opportunity are priority areas for ATP's stewardship activities for several reasons. Firstly, studies indicate that it makes good financial sense to optimise diversity among employees and managers because it promotes innovation and efficiency. At ATP, we therefore believe that companies that focus on diversity and equal opportunity will be among the winning companies of the future.

Secondly, women and minority groups are entitled to participate in the labour market without facing discrimination, and therefore it is also a matter of human rights if companies knowingly or unknowingly discriminate during the employment or promotion processes.

Diversity and equal opportunity are about much more than gender - it also includes ethnicity, religion, sexual orientation and disabilities. For now, however, the focus of legislation in both Denmark and the EU is mostly on gender equality, and in many countries it is outright illegal for companies to collect data on the religion, sexual orientation, etc. of their employees.

This makes it difficult for global investors such as ATP to assess where in the portfolio to intervene, and therefore we have so far mainly chosen to focus on the question of gender equality for our work across the portfolio.

In recent years, both in politics and among companies, there has been a clear recognition that even if it is generally going in the right direction in terms of women's participation and equal opportunities on the labour market, the progress is too slow and does not happen on its own.

Many companies are therefore working with new initiatives and on the political front, both the Danish Government and the EU have in 2022 taken the initiative to strengthen legislation - so far, with a focus on increasing the number of women in companies' boards of directors and top management tiers.

At ATP, we also see a need for increasing the proportion of women in the other top decision-making bodies of companies. The question is how that ambition can be realised in the best

possible manner and as fast as possible. We have looked at the figures across our investment portfolio to learn more about this dilemma and to identify where we as an investor can best contribute via our stewardship activities.

To get the best impression of where particularly there is a need to intervene, we look at both the proportion of women in the total labour force, management roles, the executive board and board of directors in individual companies.

What can the companies then do to improve their pipeline of female managers/executives/board members? According to ATP's portfolio figures and the data that we have available to us, one place to start for companies that have not yet really gotten going with this is to formulate and implement a specific programme to facilitate diversity in their labour forces. Our figures indicate that companies that have implemented such a programme have a higher proportion of women among both managers, executive boards and boards of directors.

As part of our stewardship work in 2022, we have therefore held meetings with five companies in our global equities portfolio which according to our data do not have diversity programmes despite a high proportion of women in their total labour force - and which also seem to have a hard time finding women for management roles. Our overall message to companies has been that they should get started on this process and formulate some objectives for diversity as that makes sense for them as a business.

The companies unanimously responded that they have begun this work and recognise how important it is. Several companies even pointed out that even though it is in the lower management tiers that they are least good at ensuring diversity, this is also where they are having the most success in changing things. When it comes to the higher management tiers, it is typically more difficult - both because the group size and turnover rates here are smaller and because companies depend on having a sufficient pipeline of female managers at lower tiers. As companies succeed in increasing the proportion of managers in the broader management tiers, it will presumably also quickly have an effect on the higher tiers.

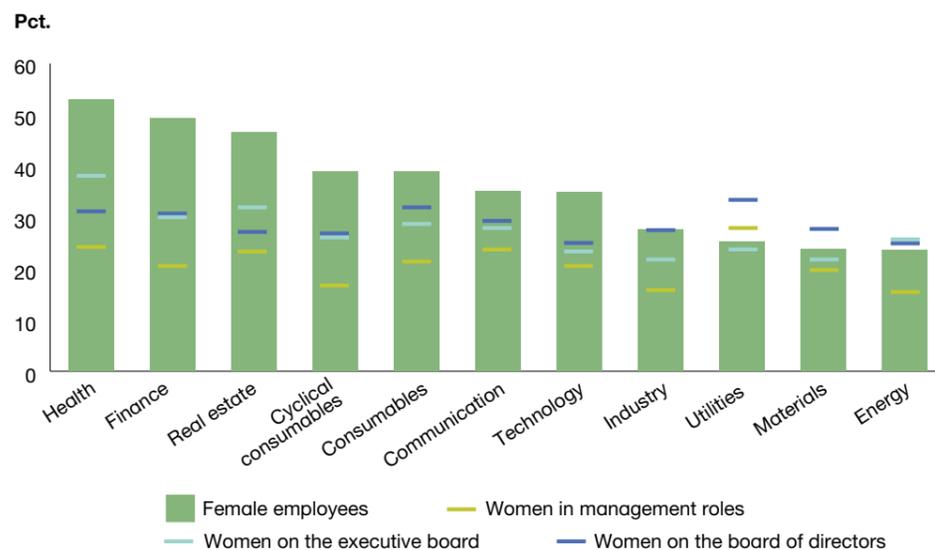
### ARE QUOTAS THE WAY FORWARD?

In a number of European countries such as, for example, France, Norway and the Netherlands, there has been legislation implemented to ensure minimum proportions of women in boards of directors. If one examines ATP's portfolio companies in these countries, it seems that the quotas have had a certain impact. Most companies - of course - comply with the quotas specified in their countries. However, the effect seems to be less in the lower management tiers and in the broad management tiers it is hard to see any impact of having gender quotas for boards of directors; the proportion of female managers in the lower tiers are no higher in countries with quotas than in those without.

### EQUAL PAY

Another equal opportunity area is salaries, where one often focuses on the so-called 'salary gap' between men and women. The salary gap can be measured at various levels using different methods. For example, it can be measured on a raw basis or it can be adjusted based on gender differences for job types, hierarchical distributions, etc. Unfortunately, the data available for companies' salary gaps is still limited and at present it does not make sense to try to carry out major analyses across the portfolio. However, there are initiatives that are in progress on multiple fronts - for example, the EU is coming up with a new directive to create more transparency and to counteract the salary gap in the EU and the EU's new disclosure regulation and the directive on companies' sustainability reporting also imposes requirements for transparency on the salary gap.

Female representation in various management tiers



ATP has analysed the current status of the proportion of women at various levels in our portfolio companies on an industry-by-industry basis. The analysis shows that it is particularly healthcare, finance and real estate companies that do not have the same representation of women in management tiers as they do in terms of the proportion of female employees.

## Dilemmas

# The war in Ukraine is imposing requirements on companies and stewardship

Russia's attack on Ukraine has impacted us all deeply and has had massive implications for the entire world. A large number of companies have cut their business ties to Russia and the invasion has presented them with some serious dilemmas. These are dilemmas that reflect the situation Europe is in where Russian gas is needed for the European economy while it also finances the Russian regime.

Because this is a serious dilemma, ATP has publicly had a quite subdued approach to how companies act. In the weeks after the war started, there was a lot of tough criticism levelled against Danish companies and ATP did not wish to add public pressure to the management teams of these companies in an already tense situation.

However, in the weeks after Russia's invasion ATP did have intensive dialogues with the portfolio companies that had business activities or other good connections to Russia in order to understand their challenges and to offer our advice and guidance in that specific situation.

There should be no doubt that ATP does not want to support the Russian regime and we comply with all sanctions. At the same time, there is also no doubt that Russia has abandoned its role in the international community and therefore also lost its value as a market for Western companies. We expect that all companies take note of this and that has also been the reaction that we have seen among Danish companies.

But in February, a lot of companies were engaged in Russia with employees, factories and contracts. This was a very complex situation that required analyses and decisions to be made that even under normal circumstances would take time. We therefore encouraged all companies to regard the situation based on their own specific context.

At the same time, we were also careful to not assume that as an outside party one could judge which actions benefit or harm the Russian regime. There is a big difference between the short-term and long-term consequences of any decision. There is also a big difference in what impact and consequence a decision might have in Russia and to the local employees and what would subsequently happen to the impacted assets.

ATP was in the end criticised for this approach, because according to the media, we were not publicly pushing for "dialogue and insight". ATP has had intensive dialogues with Danish companies, but generally speaking, our approach is not to have these dialogues in the public domain. Particularly not when it deals with such serious and complex topics and where the shitstorm was never far away from becoming a hurricane.

We expect that companies will continually take stock of the situation and evaluate the consequences of prior decisions. At the same time, we also encourage companies to be open about the basis for their decisions. Even if the war were to end soon, it would take a long time before Russia is back in good standing and companies should be clear about this.

### SANCTIONS AND RUSSIAN INVESTMENTS

ATP has a sanctions monitoring process that daily screens ATP's listed investments against sanctions data from the EU, UN and the USA and ensures that ATP is not investing in sanctioned companies. ATP has no investments in Russian equities or government bonds - nor did we before the invasion - and therefore we do not own securities that cannot be sold due to sanctions on such securities.



When Russia attacked Ukraine on 24 February, this immediately had global consequences which were felt at ATP. There was an expectation that companies would quickly address this new reality and there were also some very complex political and financial decisions to be made.

At ATP, we have been in close dialogue with the Danish companies and we have both listened to their plans and challenged them to find the best solutions in a difficult time. These solutions have to work both in the short and long term.

We have deliberately not put public pressure on companies because we do not want to stress them further in a difficult and hectic situation. We are satisfied with the fact that Danish companies have very broadly acted responsibly in a difficult situation.

*Claus Berner Møller, Vice President, Danish Equities*

## Proposals at annual general meetings

# Clarity about ATP's expectations

For a number of years, ATP has had a solid principle of voting at all of the annual general meetings where we are owners, regardless of whether this is in Danish or international companies. When we vote, it is not just an automatic exercise, but rather part of our stewardship activities wherein we carefully assess the individual proposals submitted to the annual general meetings.

Voting against a proposal at an annual general meeting is an expression of ATP disagreeing with a specific proposal and does not mean that ATP is generally unhappy with a company. On the contrary, ATP is a long-term owner of companies, and therefore we want them to understand the reasons for why we are voting no.

In Danish companies, we attend the annual general meetings where we typically also give a presentation in which we comment on the company's general development, and if we vote against on a proposal, we will also explain our reasons for doing so.

For the international companies, our practice has been that we have sent the companies an email explaining our reasoning behind our vote so that the company does not just get a negative vote but can also understand why. We believe that this offers more opportunities for change.

We have continued to develop this work, so now we are not merely informing companies of ATP's attitudes towards individual items on the voting agenda, but we also use this opportunity to explain our attitudes more broadly. Therefore, we also contact companies where we have decided to vote yes to the board's recommendations, which was not previously the case. This means that we are now in contact with the majority of our portfolio companies on an annual basis.

We contact the companies and tell them what we think of a number of topics based on publicly available data or because companies operate in a particular industry. We have defined a number of topics that ATP has expectations on for companies, and if our data shows that a company should take action in a given area, we will ask about this in our letter to the company.

We can, for example, see if a company's employee turnover is higher or lower than the industry average or if there is not enough diversity in the company's upper management tiers. Both things may be signs of underlying problems in a company. Typically, we will get a written response from the company or there will be scheduled an online meeting where we can discuss the topics.



“ On a very general level, we at ATP believe that companies are best at understanding the world around them and their stakeholders. Therefore, we give them a relatively large degree of freedom in terms of how they set things up. But there are some areas where we have minimum expectations that all companies should meet - for example, regarding CO<sub>2</sub> reporting. We use our voting intentions to communicate about our expectations while also getting a feel for a number of topics that are important to companies. The clearer an image companies have of our expectations as an investor, the greater the likelihood of us succeeding with our stewardship activities.

Jakob Skafte, Director, ESG

### EXAMPLES OF ATP'S VOTING INTENTIONS

In 2022, among other things, we have encouraged companies to work with policies and processes regarding human rights and CO<sub>2</sub> reporting. The new EU regulation for sustainable financing imposes a number of requirements that require data from companies, something that we have also encouraged them to provide.

#### Human Rights:

ATP expects our portfolio companies to adhere the UN Guiding Principles for Business and Human Rights (UNGPs) which states that businesses have a responsibility to respect human rights and the environment and should undertake effective due diligence.

The European Commission will later this year introduce legislation to make human rights due diligence mandatory for EU companies. Although detail on the proposed legislation is still lacking, ATP expects our portfolio companies to have policies and processes regarding human rights in place including human rights due diligence processes to identify, prevent, mitigate, and address adverse human rights impacts. Furthermore, ATP expects that companies have processes for stakeholder engagement and remedy aligned with UN Guiding Principles.

ATP believes that companies already working on implementing respect for human rights in their organizations are likely to be well-placed to meet the increasing legal requirements including the coming EU-legislation.

#### GHG Reporting:

ATP believes climate change is a material risk for all companies. Therefore, we expect all companies to track its emission across scope 1, 2 and 3 as well as challenging itself to limit emissions across all scopes. Furthermore, we expect companies to evaluate its business model in the light of climate change to future proof the business and take advantage of opportunities. We urge all our investments to follow the recommendations from the Task Force on Climate-related Financial Disclosures.

As an extension of this we also expect companies to be vigilant on their impact on biodiversity in their operations as well as in their supply chain and the end use of their product.

#### EU Sustainable Financial Disclosure Regulation:

The European Union has enacted an ambitious sustainable finance regulation such as the Taxonomy and Disclosure regulation and in the near future the Corporate Sustainability Reporting Directive. Although your company is not in scope of the European regulation we strongly encourage you to acquaint yourself with the data demands such as the Principal Adverse Impact Indicators and the Taxonomy and publish these data as part of your annual reporting as we believe this will be important for European Investors going forward.

# Behind the ballot

During the course of a year, ATP considers a number of proposals at annual general meetings that are both about people's qualifications and suitability for board posts, financial qualifications and proposals from shareholders that can cover a wide range of subjects.

On ATP's website, you can see how we have voted at all annual general meetings where we have voting rights. Here, the expla-

nations are typically very brief due to resource considerations. However, to show how we think, we have selected some individual companies' annual general meetings for which we will elaborate more on the basis for our voting. All of ATP's voting record can be found at [atp.dk](http://atp.dk).

## Berkshire Hathaway

### Proposals submitted by the board of directors:

#### 1. Electing board members

ATP voted against 11 of the 15 proposed board members. We voted against the chairman of the board as he is also serving as CEO. We voted against the members of the remuneration committee as a number of members of the executive board under the CEO are remunerated at levels that we find unreasonable. In addition, we voted against the members of the nomination committee as the board of directors does not meet our expectations for diversity. Finally, ATP voted against the members of the audit committee as the company does not meet our expectations for climate reporting.

### Shareholder proposals:

#### 2. Demand for an independent chairman

ATP voted in favour for the proposal of an independent chairman.

#### 3. Reporting on climate risks and opportunities

Berkshire Hathaway has significant investments in companies that may be impacted by climate change. It would be in the shareholders' interests that the company reports on these as it will make shareholders better able to evaluate whether the company's approach is sufficient. Therefore, ATP voted in favour of the proposal.

#### 4. Reporting on the emission of greenhouse gases and associated targets

It would be in the shareholders' interests that the company reports on these as it will make shareholders better able to evaluate whether the company's approach is sufficient. Therefore, ATP voted in favour of the proposal.

#### 5. Reporting on equal treatment

ATP supported the proposal as it will create more transparency about the company's work with equal treatment and diversity.

## The Home Depot

### Proposals submitted by the board of directors:

#### 1. Electing board members

ATP voted against 9 of the 14 proposed board members. We voted against the board members on the remuneration committee as the remuneration policy did not live up to our expectations as, for example, the chairman of the board received a variable salary package. We voted against the chairman's candidacy for the same reason. In addition, we voted against the members on the nomination committee because the board of directors did not live up to our rule of having at least 30 per cent of the under-represented gender.

#### 2. Selection of auditor

KPMG has served as the auditor for The Home Depot since 1979, which is longer than our 15-year upper limit. ATP expects that auditors be changed regularly to preserve their independence and to get a set of fresh eyes to look at the company's financial statements. Therefore, ATP voted against KPMG as the auditor for the coming year.

#### 3. Management remuneration

The company has combined the roles of chairman of the board and CEO, and therefore we voted against the remuneration policy as the combined role means that the CEO's total salary exceeds our expectations for the salary of a chairman of the board. At the same time, we found the company's so-called CEO Pay Ratio of 455:1 to be problematic.

#### 4. Equity plan

ATP voted for the equity programme which aims to allow managers and employees to participate in equity programmes.

### Shareholder proposals:

#### 5. Reduce the threshold for the minimum number of shares required to entitle a shareholder to call for an extraordinary general meeting.

ATP supported the shareholder proposal that intended to reduce the threshold for being entitled to call a general meeting from holding 25 per cent of the share capital to 10 per cent. In ATP's view, a 10 per cent threshold would not lead to the misuse of general meetings being called but rather increase the influence wielded by shareholders.

#### 6. Demand for an independent chairman

ATP voted in favour of the proposal for an independent chairman as we do not want the same people serving on the executive board and board of directors.

#### 7. Reporting on the correlation between expenses for political work and the company's values

It may have a negative impact on the company if there is no correlation between its values and its political interest management. Therefore, ATP chose to support the proposal for a report that maps the correlation between these.

#### 8. Reporting on steps taken to improve gender and ethnic diversity in the board of directors

The gender diversity in the board of directors does not meet ATP's expectations and therefore we voted in favour of this proposal.

#### 9. Reporting on initiatives to prevent deforestation in the supply chain

The company can do more to safeguard itself against participating in deforestation and the proposal is a step in the right direction.

#### 10. Reporting on equal treatment

ATP supported the proposal as it will create more transparency about the company's work with equal treatment and diversity.

# 5 questions about diversity to ATP's Head of Danish Equities, Claus Wiinblad



companies we have for a long time had a focus on their work with diversity in all management tiers and not just at the top.

### 3. IS THERE AN OLD BOYS' NETWORK IN DENMARK?

This was probably the right question to ask 10-15 years ago, but now I actually think that we have moved past the time where boards were a closed club - on the contrary, there has actually been opened up a lot for new types of members. The trend in recent years has been an internationalisation of Danish boards of directors where companies have chosen members and chairmen from abroad with international experience and new competences. This has clearly been beneficial, but at the same time, the companies need to maintain a balance between the international and Danish members - particularly if the executive board is also recruited internationally. An international board member may not have the same feel for the particular Danish issues that impact the company.

### 1. HOW HAVE THINGS PROGRESSED IN TERMS OF DIVERSITY IN DANISH COMPANIES IN THE LAST 20 YEARS?

Particularly in the last couple of years we have made good progress in Denmark, and especially in the large listed companies. So now it is about the smaller and unlisted companies. Generally speaking, it is important that we have the right competences present and here the work involved with growing the talent pool is important - including getting more women into management roles. This means that we need to strengthen the talent pool in companies and candidates must ensure that they have the right experience - for example, international experience, which is increasingly important.

### 2. WHAT DO YOU LOOK AT WHEN YOU ASSESS A COMPANY'S WORK WITH DIVERSITY?

We would like to see that they are working with the entire food chain in their company. It is not just about companies needing to fill the top posts, they also need to create the basis for there being a wide selection of candidates from both genders that have the qualifications and experience to get the posts with the highest level of responsibility. Therefore, when working with

### 4. AREN'T QUOTAS NEEDED?

I both hope and believe that they are not - for me, this would be a declaration of failure for the work if such an intervention is needed, and it would raise questions about the qualifications of the female board members. In Denmark we have a lot of highly competent female businesspeople who have important board posts and what we need to focus on is ensuring that the next women in line have the right conditions to develop themselves.

### 5. IS THE TALENT POOL OF DANISH WOMEN LARGE ENOUGH?

It definitely is, and in Denmark we need to become better at bringing that into play. It is about getting them the experience they need that allows them to serve on boards of directors. For example, this may be international tasks, new work areas, management responsibility and so forth. These are the elements we like to see when we assess companies' diversity policies.



## Stewardship

# On an ESG journey in Sweden

ATP has had a Danish equity portfolio for a long time that is built on an intimate knowledge of companies and their management teams. This allows us to have a long-term equity strategy where we use stewardship to realise the companies' potential.

Over the past few years, ATP has expanded upon this work to involve Swedish companies. We have done this because the Swedish market has quite a lot of similar characteristics to the Danish market, but it also provides access to other sectors. We are talking about large companies such as, for example, Volvo, Hennes & Mauritz and Ericsson.

At the same time, over the past few years Sweden has had a number of companies being listed on an ongoing basis - unlike the Danish market, which has not seen so many new stock market listings.

The geography also allows ATP to use the same stewardship approach in which we build up close relationships with companies and their management teams to get a confidential and trusting dialogue. A multi-year ATP employee from Sweden plays a key role in these dialogues.

In smaller companies, where the focus has not yet been directed towards ESG issues, we enter into a dialogue with the companies to investigate how an increased focus on ESG can help to support value creation in the short and long run.

Whereas the large companies often have departments with specialists, the smaller companies might only have one dedicated employee, or perhaps none at all, to work with responsibility. The number of initiatives and different organisations related to ESG issues can therefore seem overwhelming and difficult to prioritise. In such cases, ATP can be a professional sparring partner that can offer advice on where it might make sense to launch new initiatives and which initiatives are less urgent.

We were pleased to note that all companies had a solid focus on ESG, including:

- Reporting on ESG in either their annual report or having a separate ESG report
- Having basic policies and processes in place
- Being attentive to future legal requirements - both national and international
- Working on increasing transparency in general and via reporting

But at the same time, many companies also pointed to a number of challenges that are typically faced by smaller companies.

- Preparing materiality analyses for where the company has the most impact on the environment and society and where this is also significant to the business.
- Collection and reporting on data
- Supply chain management
- Expectations from investors and customers
- Regulation

### ATP'S STANDARD MESSAGE TO SMALLER COMPANIES

1. We believe that involving ESG issues can contribute to your long-term value creation
2. Prioritise your efforts in the areas that are material for your company
3. Find out who specifically are your stakeholders when it comes to ESG issues
4. Your reporting must satisfy both investors and other stakeholders
5. It may seem like an insurmountable task - but do not lose hope

## CINT

Cint is a global software company that is on the cutting edge when it comes to collecting digital insights. Cint has the world's largest consumer network for digital survey-based research with more than 149 million engaged respondents in more than 130 countries.

The company's ESG strategy is from 2021 and the company is in the process of integrating it into the organisation and it is also working on expanding its reporting with relevant ESG/sustainability ratios.

## BHG

BHG sells DIY and home decor products on the internet with online stores in more than 24 countries. The company has a strong focus on ESG and continuously works to improve the integration of strategy and processes in its business operations and is also working on improving its reporting on ESG ratios. The company has a major task ahead of it in terms of mapping its supply chain that includes several thousand products, including the CO<sub>2</sub> emissions of its suppliers.

## LINDAB

Lindab is a leading ventilation company that offers solutions for energy-efficient ventilation and a healthy interior climate in Europe. In Northern Europe, Lindab also has a comprehensive selection of roof wall and rainwater systems. Lindab has come a long way in its work with sustainability and it has a large internal team. The company has set a target for evaluating all suppliers before 2023. The company is already now reporting on scope 1 and 2 emissions and expects to have scope 3 emission data and targets for CO<sub>2</sub> emissions ready for the next financial statements. Lindab's goal is to become the first to use green steel and it has entered into an agreement with a producer about deliveries in 2026.