The ATP Group

Stewardship 2023

- Part of ATP's social responsibility

atp=

Stewardship requires in-depth knowledge of each specific business

ATP's stewardship work takes many forms and covers a range of different topics. ATP is a serious investor that takes businesses and their situations seriously. So, we don't set unrealistic expectations, focusing instead on helping the individual company to move forward and continuously improve their practices. We want to engage with companies in their current situation. This means that as a matter of course, we have different expectations for large, well-established companies than we do for newer, smaller ones.

There is also a difference between being a large investor in our domestic market and being one of many investors in international companies. This is based on our belief that ESG work should lead to real improvements in the companies we invest in, and not just to generate press coverage. That's why we also design our stewardship activities so that the method matches the purpose.

TWO TYPES OF ESG MATERIALITY

When working with ESG in investments, there are two methods of approach. If you are looking to limit risks from ESG factors, this is called financial materiality or sustainability risks in the EU's Disclosure Regulation. However, if you are planning to limit a company's environmental impact, via limiting CO_2 emissions, for example, this is called sociomateriality or negative sustainability impact. A very large part of ATP's overall ESG work is based on financial materiality considerations. Conversely, ATP's fact finding work is intended to ensure that ATP does not invest in companies that deliberately and repeatedly violate the norms issued by international conventions adopted by Denmark that are exclusively based on sociomateriality. ATP believes that there is a correlation between the two types of materiality. A company that does not take its societal materiality seriously will also be at risk of suffering financially and there is therefore an overlap.

Because we are a relatively large business in Denmark, we also have a special responsibility towards the Danish stock market. As a long-term investor in Danish companies, we have a strong interest in a healthy and well-functioning stock market that benefits society as a whole. We have to recognise that there have been some unfortunate trends in recent years where the new listed companies have not delivered on the plans they went public with.

This can lead to a negative spiral, where investors don't want to participate in IPOs and companies in need of new capital will lose access to capital markets. Capital markets are especially important for companies that need funds for growth or to consolidate their financial position. In 2023, ATP participated in seven capital increases in companies that needed extra capital.

In our ESG work with Danish companies, the individual company's challenges and opportunities have traditionally formed the basis of the dialogue. Our new ESG initiative aims to raise ESG performance in our Danish equity portfolio across the board, through targeted and specific proposals for improvements in companies that have not made as much progress as the most successful companies in the selected focus areas.

The method involves defining thematic benchmarks, mapping the companies' performance based on a questionnaire and via dialogue with selected companies, offering suggestions for specific improvements. This year, we have focused on companies' value chains, taking a closer look at their work with biodiversity and human rights and sharpening our focus on reporting Scope 3 emissions.

Expectations for companies' supply chains are increasing. We see this in the already adopted Corporate Sustainability Reporting Directive (CSRD) and in the upcoming Corporate Sustainability Due Diligence Directive (CSDDD) from the EU, which is expected to be adopted by the end of 2023. A company should not only focus on its own operations, but should be able to look down its value chains and make demands. It is therefore good business practice to start preparing for the demands and expectations of the future, and at ATP, we look forward to the dialogue with these companies.

Six ESG principles set the direction

ATP believes that integration of ESG into our investment work can reduce risks and contribute to long-term value creation. Therefore, we are continually seeking to:

1. Build strong processes for both ESG due diligence and ESG asset management across asset classes tailored to the specific investment processes.
2. Improve our ESG data basis with a focus on developing businesses own reporting of data.
3. Developing ATP's general guidelines and specific expectations for companies' ESG practices.
4. Mapping the ESG characteristics of ATP's investment portfolios with a view towards prioritising ESG initiatives.
5. Contributing to real improvements being made in individual companies both for the benefit of ATP's investments and society at large based on a preference for active capital stewardship.
6. Distinguishing financial materiality and societal materiality from each other and also continually attempting to understand the interaction between financial materiality and societal materiality.

A well-functioning stock market requires good and solid IPOs

As one of Denmark's largest investors, ATP has a natural interest in a well-functioning Danish stock market.

A well-functioning stock market is not only important for investors, but for society as a whole. It allows companies to raise capital in a transparent environment for new investments that can create growth and jobs. It is therefore important to consider how the Danish stock market works, so that it is as attractive as possible for current and future investors.

Generally speaking, companies that go public find it difficult to deliver long-term returns on par or higher than those that were already listed. This trend also applies in Denmark, where recent years have seen several companies not being able to live up to expectations and therefore unable to deliver an attractive return in relation to the market. Investors have therefore been better served by investing in companies that were already on the stock exchange.

Maintaining trust in stock markets and their important function for society requires companies to deliver on their long-term plans and thereby generate attractive returns for investors.

Unfortunately, we have seen many companies go public with overly optimistic plans. This is not appropriate and damages the appetite for future IPOs. In particular, it tends to be the smaller companies that are not able to live up to expectations.

When the return is almost systematically unattractive in an IPO, it risks scaring away investors, thereby reducing the chances of raising additional capital. To persuade more investors to participate in IPOs, the average experience must be a positive one.
Part of being an investor is taking on risk in your investments in order to make a positive return in the long run.

Companies operate in dynamic markets, and the challenges of meeting expectations can arise in both the short and long term. It is therefore crucial that risks and the company's development opportunities are clearly described in the prospectus so that investors can relate to the risks they are taking on in a specific investment.

It is important to emphasise that the problem is not necessarily the quality of the companies themselves, but the story that companies tell investors when they go public. If that story doesn't reflect the company's situation and opportunities in a balanced way, investors are less likely to get an attractive return. To overcome this, increased transparency is important, as well as higher standards in companies' pre-listing reporting.

It is also important that a company should go public for the right reasons. An IPO is a natural exit for a current owner, but even more so, it is a strategic choice for the company's further development. In addition, an IPO can be a natural invitation to a wide range of new investors, or if a company is facing a capital raising in a very large amount where private investors cannot participate. In all cases, the long-term focus is important, because too much focus on optimising the price in the short run-up to the IPO can harm the long-term development of the company.

Sometimes, attention is drawn to Sweden's "share culture", where there have been many IPOs in recent years. Despite the high quantity, the quality has not been attractive in terms of returns on investment.

Looking ahead to 2023, it looks like it will be a quiet year for IPOs in Denmark. In recent years, the number IPOs on First North in Copenhagen have slowed down, and Gubra looks set to be the only listing on the main exchange. ATP actively participated in the process, as we recognised a company that wanted to go the IPO route after careful consideration and with a focus on the long-term journey.
At ATP, we have identified a number of opportunities to improve the environment for IPOs, for the benefit of companies, society and investors:

- The motive for an IPO should be a strategic option and not a last resort.
- The seller and company can increase the likelihood of attractive returns by lowering the valuation in the short term, while limiting supply. The company can then prove itself and build trust in the market, after which, the seller can sell at a higher price.

- Companies need to prepare for the IPO to a greater extent, e.g.with external quarterly reports for the past few years, data for relevant KPIs to support the stock story, and more.
- Company advisers can focus more of their counselling on the best situation after the IPO.
- Prospectuses must be more accurate and contain more relevant information, including key risks and the company's plans to mitigate them.
- Increased transparency to investors about the due diligence process in connection with the prospectus preparation. prospectus preparation.

Different parties can contribute to more successful IPOs in Denmark

Capital additions

ATP supports companies that need capital for growth - even when things go wrong

In 2023, the Danish stock market has seen a number of capital increases, where companies have gone to investors to raise capital. As one of the major investors in the Danish stock market, in addition to contributing capital, ATP has another special role. As a steward, ATP is often also a sparring partner for other companies when considering a capital increase.

There can be different reasons why businesses go to the stock markets to raise additional capital. For some, it's a positive story about raising capital for growth and new investments, while for others it's about financing operations if the assumptions about their business plans change in a negative direction.

In general, it is positive that Danish companies have access to stock markets, so that new capital can be raised quickly and flexibly.

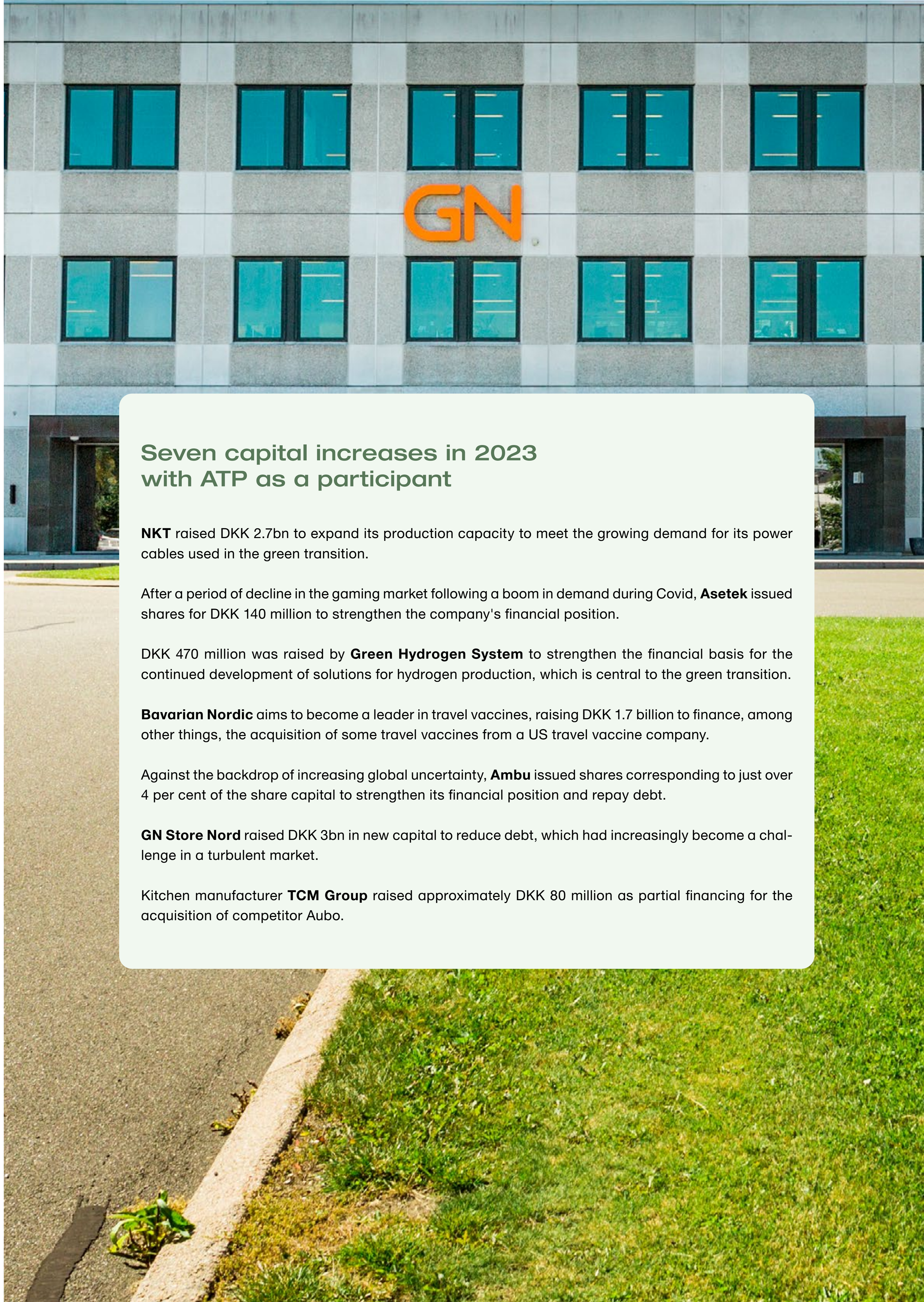
The recent sharp increase in interest rates has made debt financing more expensive and a high degree of debt can be risky in times of crisis. The need for new capital can therefore arise quickly and one of the strengths of being listed on a stock exchange is access to capital from many different investors rather than being dependent on a few investors in the unlisted market.

For existing investors, capital increases always involve a choice. You can either contribute additional capital to increase investment in the company and retain your ownership stake, Or choose not to invest and see your ownership share diluted and share future value creation with others.

It is always an individual assessment when a company wishes to raise capital. As an investor, the decision is whether to retain your ownership share or accept that your ownership share will decrease if you don't participate. Therefore, in relation to capital increases, we always maintain a close communication with the company to determine how ATP should act and ensure a good return for ATP's members. Especially when we are one of the larger investors in the company.

"Our strategy is to take responsibility when Danish companies need new capital. In terms of growth and when the going gets tough, based on a thorough dialogue with the largest shareholders, the strength of the stock market is that new capital can be raised from a wide range of investors.

Claus Wiinblad, Head of Domestic Equities



Seven capital increases in 2023 with ATP as a participant

NKT raised DKK 2.7bn to expand its production capacity to meet the growing demand for its power cables used in the green transition.

After a period of decline in the gaming market following a boom in demand during Covid, **Asetek** issued shares for DKK 140 million to strengthen the company's financial position.

DKK 470 million was raised by **Green Hydrogen System** to strengthen the financial basis for the continued development of solutions for hydrogen production, which is central to the green transition.

Bavarian Nordic aims to become a leader in travel vaccines, raising DKK 1.7 billion to finance, among other things, the acquisition of some travel vaccines from a US travel vaccine company.

Against the backdrop of increasing global uncertainty, **Ambu** issued shares corresponding to just over 4 per cent of the share capital to strengthen its financial position and repay debt.

GN Store Nord raised DKK 3bn in new capital to reduce debt, which had increasingly become a challenge in a turbulent market.

Kitchen manufacturer **TCM Group** raised approximately DKK 80 million as partial financing for the acquisition of competitor Aubo.

Value chains are important for a company's ESG activities

Expectations for responsible corporate behaviour are constantly evolving,and in recent years we have seen a particular emphasis on companies' supply chains and not just their own reporting.

As part of our climate strategy, ATP has been working with supply chains for several years and we expect our portfolio companies to measure and publish their CO_2 emissions across Scope 1, 2 and 3. Scope 3 is the emissions that come from the companies' value chain and reporting on this is still inadequate for many companies.

This year, we have continued this work and have focused on value chains in a broader sense. For example, we have observed that much of the companies' biodiversity-related risks lie in the value chain. We are also seeing an increasing amount of regulation, especially at the European level, aimed at companies' supply chains. New legislation on sustainability reporting (Corporate Sustainability Reporting Directive - CSRD) will require companies to report on activities outside their direct control.
It is expected that a due diligence directive will also be adopted in 2023, which will set requirements for companies' ESG due diligence processes with a focus on, among other things, human rights and climate.

As part of this thematic focus, ATP's dialogue with its portfolio companies will focus on mapping the companies' knowledge of their supply chains. Including how companies minimise dependencies and unintended ties in their value and supply chains.

Focus on the quality of companies' Scope 3 emissions

Scope 3 CO_2 emissions remain a challenge for many companies. For many companies, the supply chain will be where the biggest emissions and consequently also reduction opportunities lie. ATP's ambition is for all companies in our portfolio to be able to report Scope 3 data by 2025. As part of our work with value chains, ATP will focus on the quality of Scope 3 reporting for selected Danish companies with high reported Scope 3 emissions. Here we will look at whether they report relevant activities, boundaries and the use of data and estimates.

CSRD EXPANDS REPORTING REQUIREMENTS FOR THE VALUE CHAIN

In the technical sustainability standards for the EU Corporate Sustainability Reporting Directive (CSRD), there are a number of requirements for including companies' value chain in reporting. For example, in the mandatory disclosure of material impacts, risks and opportunities and their interaction with strategy and business model. Here, companies must provide:

- *a brief description of its significant impacts, risks and opportunities arising from its materiality assessment, including a description of where those significant impacts, risks and opportunities are concentrated in its business model, its own operations and its upstream and downstream value chain.*
- *the current and expected impacts of the material impacts, risks and opportunities on its business model, value chain, strategy and decision-making, and how it has responded or plans to respond to those impacts, including any changes it has made or plans to make to its strategy or business model as part of its measures to address particular material impacts or risks or to pursue particular material opportunities.*

Similarly, the Corporate Social Due Diligence Directive (CSDDD) is expected to oblige a number of major companies to implement due diligence processes to identify, prevent, terminate, mitigate and take responsibility for actual and potential adverse human rights impacts in their own operations and value chains to prevent adverse human rights impacts.

With the EU's upcoming Carbon Border Adjustment Mechanism (CBAM), there will be even more focus on the "embedded" CO_2 emissions of products when importing from a non-EU country to a EU country. CBAM must ensure that the embedded CO_2 in products is paid for, so that production is not pushed from the EU to third countries due to European climate legislation. Initially, it will be cement, iron, steel and aluminium, fertiliser, electricity and hydrogen.

Therefore, it will already be relevant for a number of companies, but in the long term, it is expected that more products will be covered, and therefore, for many companies, mapping emissions in the value chain will be timely.

In 2021, ATP defined a point system that we use to monitor the development in the companies' CO_2 reporting. Based on the company's reporting, up to three points are awarded for each Scope, so the best companies can achieve 9 points. Scope 3, for example, requires reporting on all relevant subcategories and indicating those that are not relevant.

However, the scoring system does not judge the quality of the reporting itself, which can fluctuate, despite companies technically reporting correctly. There are a number of methodological choices in Scope 3 reporting that influence the result. For example, this can be delimitation and scope, e.g. how many links in the value chain you go down, or which factors you use to estimate your Scope 3. All of which will have a big impact on the Scope 3 figure you report.

FLS MAKES UP THE MAJORITY OF ATP'S SCOPE 3 EMISSIONS

FLS supplies the mining industry, which is highly CO_2-intensive. This gives FLS a large carbon footprint in the "use of sold products" category, as the use of FLS' machines by other companies contributes to high CO_2 emissions. Currently, there are not many companies that report as comprehensively as FLS, which makes the company a major part of ATP's CO_2 emissions calculations. ATP will be able to lower its carbon footprint by divesting FLS, but in our view, it will only "penalise" a company that makes an effort to disclose its carbon footprint, thereby providing investors and the outside world with more knowledge.

Biodiversity

The work with biodiversity has only just begun

In recent years, biodiversity has established itself as a pressing ESG topic. One result of this was the Kunming-Montreal agreement, which was signed at the end of 2022. The agreement established four visions and 23 targets for the global community's biodiversity efforts to address biodiversity loss and restore ecosystems.

In recent years, ATP has included biodiversity in our dialogue with our portfolio companies, where we have concluded that biodiversity is often easier to talk about than to work with in practice. This could be read as a criticism of the companies, but is actually not. On the contrary, our experience is that most companies want to work seriously with biodiversity, but lack the tools that fit their specific reality.

Therefore, ATP is also reluctant to make any major demands on the companies at this time. We believe that we can help companies more by engaging more directly with them and taking their current situation as our starting point. There are biodiversity initiatives that can provide inspiration, but it is also important that companies have a certain level of maturity before they commit.

BIODIVERSITY IN REGULATION

The Kunming-Montreal agreement is known as nature's Paris Agreement, as it sets a number of global targets for biodiversity. But biodiversity also comes under regional legislation, such as the EU's new CSRD sustainability reporting, where biodiversity has its own standard. Likewise, it is expected that biodiversity will be a key element of the due diligence obligations in the upcoming Corporate Sustainability Due Diligence Directive, which is expected to be finalised in 2023. A number of voluntary standards are also being worked on, such as the Taskforce on Nature-related Financial Disclosures and Science Based Targets for Nature, both of which are familiar from the climate area.

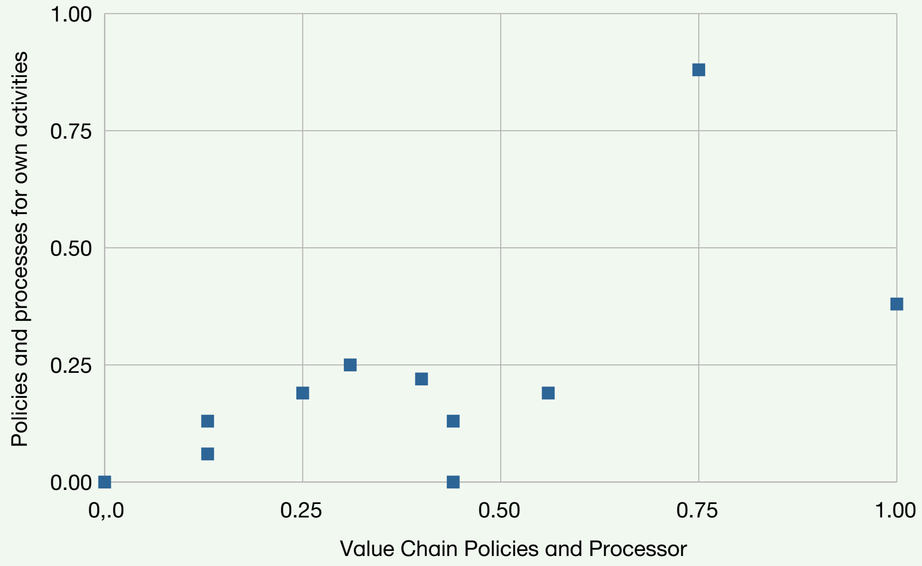
Biodiversity is a distinct value chain issue, as it is often not the point of consumption, but where the raw materials are produced that can have a negative impact on environmental areas. Just think about how many everyday products rely on raw materials that are produced thousands of kilometres away. Biodiversity is therefore a very complex issue and there are currently no well-developed analytical tools to map the impact companies have on it.

ATP's experience from our work with biodiversity is that the most significant business risks as well as negative impacts on biodiversity are to be found is the supply chains. This is why it is important for companies to map their supply chains, rather than simply viewing biodiversity as what can be seen from the windows of their factories and offices.

In our biodiversity mapping, we have categorised the companies in our Danish equity portfolio into three groups based on their resources, policies and processes to identify, mitigate and manage biodiversity-related risks. Our data comes from a standardised questionnaire in which we asked companies a series of questions about their work with biodiversity. The best-performing companies receive a score close to 1, and the other companies are then ranked against the best-performing companies.

Based on this mapping, we then enter into a dialogue with the companies with the aim of getting them to improve from their original position. In other words, there is no expectation that a company will move from bottom to top in a short period of time, but rather that the individual company will continuously improve its practices.

How ATP assesses the policies and processes of Danish companies for biodiversity



There are still a number of challenges for Danish companies in their work with biodiversity, which is to be expected considering the complexity of the topic. ATP is in dialogue with one of the companies that scored very highly in order to understand the reasons for the high score.

	Target	Purpose	Methodology
Group 1: Companies that have not yet taken a position or do not work with biodiversity	ATP encourages all companies to have a materiality assessment that includes biodiversity.	To persuade companies to consider their potential dependency on and impact on biodiversity and move to category 2 or 3.	Dialogue with companies to initiate focus on biodiversity, e.g. with regard to reporting. Dialogue with companies about their plans to integrate biodiversity into materiality assessments.
Group 2: Companies where biodiversity is not material	ATP encourages companies to ensure that their materiality assessments are updated and accurate.	To ensure that companies have assessed the materiality of biodiversity on an informed and thorough basis and that companies reassess on an ongoing basis.	Dialogue with companies about considerations and basis. Dialogue with companies about which stakeholders the company has consulted in the materiality assessment. Dialogue with companies about reporting.
Group 3: Companies where biodiversity is material	All companies in this group should eventually move towards a score of 1 on ATP's biodiversity score, which means that the right policies and processes are in place.	To ensure that companies work actively and transparently to identify and manage dependencies on or negative impacts on biodiversity.	Scored based on answers to biodiversity questions. Targeted dialogue based on answers to disclosure questions. Dialogue based on TNFD around materiality assessments and mitigation measures.

Human rights

Upcoming requirements for companies' human rights efforts

Historically, companies' work with human rights has been regulated through "soft law", which typically takes the form of guidelines without a strong sanctions regime. This is what we know, for example, from the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises, where there is no judicial principle, but rather mediation and complaints institutions that can settle disputes about companies' compliance with the guidelines.

This has changed in recent years, with some EU countries introducing legislation that obliges companies to create policies and conduct due diligence on human rights and other ESG areas. France, for example, has extensive legislation in this area.

But before long, the requirements will increase for all European companies, and therefore ATP believes that businesses should start preparing themselves. The European Commission has launched the proposal for the Corporate Sustainability Due Diligence Directive (CSDDD), which will set detailed requirements for companies' work with sustainability in the organisation and in the supply chains.

WHAT CAN YOU EXPECT FROM CSDDD WITH REGARD TO HUMAN RIGHTS?

The EU's Corporate Social Due Diligence Directive (CSDDD) is expected to oblige large companies to implement due diligence processes to identify, prevent, terminate, mitigate and take responsibility for actual and potential adverse human rights impacts in their own operations and value chains to prevent adverse human rights impacts. The directive is based on the main principles of the OECD Guidelines for Multinational Enterprises, including the UN Guiding Principles on Business and Human Rights.

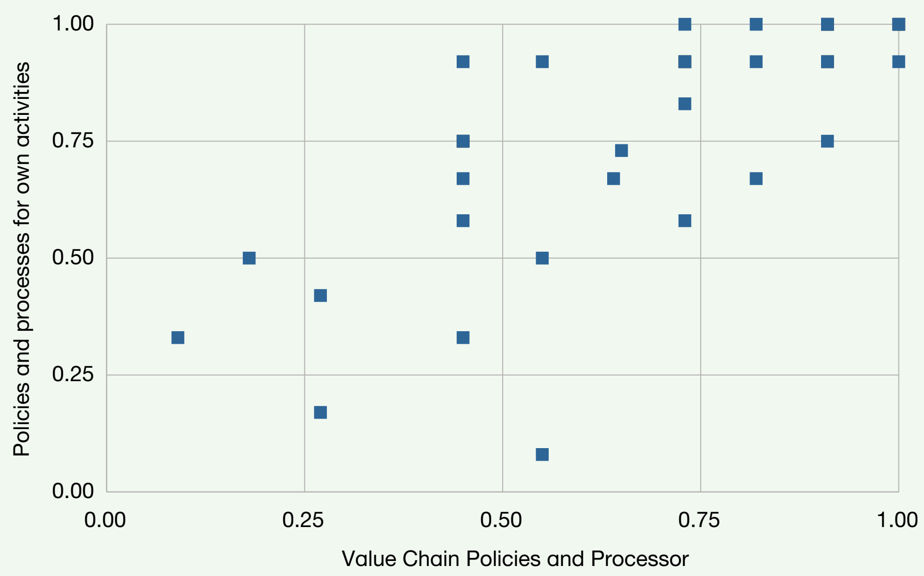
The proposal is expected to be adopted by the end of 2023, once an agreement has been reached between the EU Parliament and the Council of Ministers. It is not without controversy, and there is still uncertainty about exactly which companies will be covered and how extensive the requirements for them will be. For example, rules on penalties for breach of obligations are highly controversial. Furthermore, management responsibility for the executive board and board of directors in relation to ESG due diligence is a divisive topic.

Nevertheless, it is certain that requirements will increase, although it remains uncertain how they will be implemented in detail. ATP has therefore chosen to focus on the human rights work of our Danish portfolio companies in particular. We have asked these companies a number of questions to get a sense of their maturity and compare their efforts, in order to engage in dialogue with those businesses where extra efforts are needed to ensure that all are ready for the upcoming regulation.

This is why it is important for us to identify the companies that are furthest behind in terms of human rights. Or more directly, those that have no policies or processes in place at all. We will also identify how far companies in general are in their human rights due diligence work. Based on our observations, we will engage in dialogue with companies in the coming period, with a special focus on the companies that need to improve the most.

The overall conclusion from our survey is that the majority of Danish companies are well on their way in their work with human rights, and only a few really need to move forward. Therefore, ATP's primary focus is to give a helpful push to the companies that need it most.

How ATP assesses Danish companies' human rights policies and processes



Danish companies generally have their human rights policies and processes in place, although there is room for improvement for some companies.

	Purpose	Methodology
Group 1: Companies that lack policies and processes	Persuade companies to begin working on human rights in the foreseeable future.	Dialogue with companies on their human rights plans with a focus on policies and processes.
Group 2: Companies some way off target	Inspire companies to go all the way.	Inspirational email to companies.
Group 3: Companies close to goal	No defined purpose.	No planned effort.

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 explanations 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.

Dow Inc.

Proposals submitted by the Board of Directors:

1. **Electing board members**
ATP voted against the members of the Remuneration Committee as we did not support the proposal on remuneration for the Executive Board. Furthermore, ATP voted against the Chairman of the Board of Directors, as he is also the CEO, which is contrary to our policy. We supported the other members.
2. **Say-on-pay**
ATP voted against the pay policy. In situations where the Chairman of the Board and CEO are one and the same person, our policy requires that their salary fulfils both our requirements for the remuneration package for a CEO and for a Chairman of the Board. The Dow chairman's salary does not meet our requirements for a chairman of the board, which is why we voted against it.
3. **Selection of auditor**
ATP voted against the election of the auditor because we prefer to replace the auditor at least every 15 years.

Shareholder proposals:

1. **Independent chairman of the board**
ATP supported the proposal, as we do not believe that the Executive Board and the Chairman of the Supervisory Board should coincide, as is the case in Dow.
2. **Report on declining demand for plastic**
The proposal asks the company to consider the effects of a potentially drastic drop in demand for plastic. ATP supported the proposal as Dow produces plastic and may be affected by increased costs due to regulation and a potential demand shock.

McDonald's

Proposals submitted by the Board of Directors:

1. **Electing board members**
ATP voted in favour of the proposed board members and the remuneration policy.
2. **Selection of auditor**
ATP voted against the election of the proposed auditor because we prefer to replace the auditor at least every 15 years.

Shareholder proposals:

1. **Phase out selected antibiotic use for cattle and pigs in the supply chain**
McDonald's largely meets the market standard for antibiotic use, but ATP believes that McDonald's, by virtue of its position, should be expected to lead the way and set a high standard for the industry. ATP voted for the proposal.
2. **Comply with WHO guidelines for antibiotics in the supply chain**
In line with proposal 4, ATP believes that McDonald's should take the lead in the sector. It is obvious to follow WHO guidelines in this context. ATP voted for the proposal.
3. **Report risks related to operations in China**
ATP is satisfied with the company's reporting on risks and the Supervisory Board's established monitoring of operations in China. The proposal is based on China being a threat to the US. It's not McDonald's job to conduct American foreign policy. ATP did not support the proposal.
4. **Report on civil rights and anti-discrimination review**
The company already reports satisfactorily on DEI (Diversity, Equity and Inclusion) and therefore the proposal does not add any new relevant information. ATP did not support the proposal.
5. **Report on lobbying contributions and politics**
ATP typically votes in favour of these proposals as we find it relevant for shareholders and other stakeholders to gain insight into whether the companies' lobbying activities are in line with the published policies. That's why we often support proposals that aim to substantiate that companies' public policies also match their actual lobbying efforts. ATP voted for the proposal.
6. **Publish transparency report on global policy influence**
Shareholders can benefit from better insight into companies' political activities and spheres of interest. McDonald's should be expected to lead the way, as they have the resources and market influence to change practices. ATP voted for the proposal.
7. **Report on animal welfare**
The proposal aims for McDonald's to report what their "15 key animal welfare indicators" actually are. McDonald's has set a goal to improve the animal welfare of their poultry production. In this context, it is useful for shareholders to gain insight into how they measure and act to achieve this goal. ATP voted for the proposal.

How ATP has voted in 2023

ATPvoted at more than **500** general meetings with more than **8,** 500 different proposals.

ATP voted in favour of **71 per cent of** the proposals.

ATP takes a position on all proposals and voted against the voting advisor ISS' recommendation in **22 per cent** of the proposals.

ATP follows the same voting policy all over the world, but the results vary greatly. In the US, for example, we vote against every second pay packet, while in Europe it's only one in seven. In Denmark, where we have a close dialogue with the companies, we voted against six pay policies, corresponding to just over five per cent.

In Denmark, ATP has a good familiarity with the boards of directors and also a positive dialogue - therefore ATP very rarely votes against board members. In 2023, we have voted in favour of all nominated board candidates.

Outside Denmark, there are differences in the approach to the Supervisory Board, such as the length of terms of office or the perception of independence, which goes against ATP's voting policy. Similarly, ATP also votes against board members due to factors such as diversity or climate.

You can find out more about ATP's polls at atp.dk.

ATP, together with other investors, has pushed the attitude in Japan

Shareholder proposals

As an investor, ATP focuses on diversity and representation of the underrepresented gender because we want to ensure the best basis for long-term value creation in the companies we own. We express this in our dialogue with companies and employ the methods that suit each company. In foreign companies, we generally use our vote at the general meeting to express our opinions.

In 2022, ATP submitted a shareholder proposal at the annual general meeting of the Japanese finance company ACOM that the board of directors should have at least one member of each gender. We did this based on observations of very weak gender diversity in our Japanese portfolio, as well as a long and fruitless process in the company in question, where we had tried to influence the company to increase gender diversity on the all-male board.

The proposal was not passed, which came as no surprise. Shareholder proposals rarely achieve a majority in Japan and the shareholder composition of ACOM made it very difficult to achieve a majority. However, the proposal was backed by voting advisor ISS, among others, and received almost 4 per cent support, even though several other leading investors chose to vote against it.

However, we knew in advance that a majority was not achievable, but we wanted to push the development in Japan towards greater diversity. The Japanese labour market is facing major demographic changes where the workforce will gradually shrink. Therefore, Japanese companies should be aware of the challenges of recruiting broadly to ensure the right competences for the long term - both in terms of the company's employees and board of directors.

Since our proposal was on the agenda in 2022, we can conclude that there has been a shift in the approach to gender diversity in Japan. Firstly, the voting advisors ISS and Glass Lewis have tightened their requirements for the boards of directors in the direction of our proposal, but also that a large number of both domestic Japanese and international investors have tightened their requirements for diversity in the boardroom.

This is a development that is in line with the attitude at ATP. The Japanese market is not yet ready for the increased requirements, but it is an important step in the right direction and we are happy to have been part of the push.

In 2023, ATP continued to vote against all board members in ACOM, which has not changed its practice.