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**The ATP Group  
Annual Report 2021**

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### Strategic focal points

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### Consolidated financial statements

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# ATP in brief

## ATP LIVSLANG PENSION (LIFELONG PENSION)



The ATP pension is a **lifelong, guaranteed benefit** which is paid for the entire pension period

**DKK 50bn** **35%**

**Historically high investment return**

**return** in relation to the bonus potential. 24 per cent on average for the past 5 years

**DKK 30.4bn**

of the high investment return has been used to **increase the members' ATP pensions**

Lower administration activity expense **per member**

**DKK 40**

Low **cost percentage (APR)**

**0.54%**



**In May, the Danish Parliament amended the ATP Act** which allows for an implementation of the changed business model



ATP sharpens its climate ambitions: DKK 200bn in green investments in 2030 and **carbon neutrality in 2050**

## BUSINESS PROCESSING, EXTERNAL PARTIES – PAYMENT OF WELFARE BENEFITS

Ensures **uniform case handling**, correct and timely payments, and **cost-effective** administration within **specified risk tolerances**

**2/3**

**of Danish welfare spending is paid out by ATP**



**ATP solves critical societal corona tasks**

such as the early payment of frozen holiday pay, assisting with infection contact tracing, etc.



**Early retirement pension**

ready for applications as of 1 August 2021

ready for payment 1 January 2022

# Five-year summary for the ATP Group

DKKm	2021	2020	2019	2018	2017
<b>Investment activities</b>					
Investment return	49,620	29,901	40,705	(3,714)	29,737
Expenses	(952)	(886)	(937)	(953)	(858)
Tax on pension savings returns and corporate income tax	(7,291)	(4,378)	(5,723)	949	(4,399)
<b>Investment activity results</b>	<b>41,378</b>	<b>24,637</b>	<b>34,045</b>	<b>(3,718)</b>	<b>24,480</b>
<b>Hedging activities</b>					
Change in guaranteed pensions due to discount rate and maturity reduction	48,632	(56,807)	(72,337)	(27,866)	(10,032)
Returns in hedging portfolio	(56,187)	66,484	86,710	32,932	(10,089)
Tax on pension savings returns	8,597	(10,172)	(13,267)	(5,039)	1,544
<b>Result of hedging of guaranteed pensions</b>	<b>1,042</b>	<b>(495)</b>	<b>1,106</b>	<b>27</b>	<b>1,487</b>
Change in guaranteed pensions due to yield curve break	(5,508)	(6,523)	(5,248)	(3,106)	(2,993)
<b>Hedging activity results</b>	<b>(4,466)</b>	<b>(7,018)</b>	<b>(4,142)</b>	<b>(3,079)</b>	<b>(1,506)</b>
<b>Results from Investment and Hedging</b>	<b>36,912</b>	<b>17,619</b>	<b>29,903</b>	<b>(6,797)</b>	<b>22,974</b>
<b>Pension activities</b>					
Contributions	11,497	10,744	10,061	9,871	9,703
Pension benefits	(17,260)	(17,180)	(17,054)	(16,878)	(16,075)
Changes to guaranteed pensions resulting from contributions and payments	8,200	8,239	8,099	8,505	8,289
Administration activity expenses	(213)	(210)	(201)	(197)	(191)
Other items	7	6	7	9	8
<b>Pension activity results before life expectancy update</b>	<b>2,231</b>	<b>1,599</b>	<b>912</b>	<b>1,310</b>	<b>1,734</b>
<b>Business processing, external parties</b>					
Income	2,498	2,297	2,436	2,458	2,042
Expenses	(2,497)	(2,297)	(2,435)	(2,450)	(2,033)
Corporate income tax	0	0	0	(1)	0
<b>Result from business processing, external parties</b>	<b>0</b>	<b>(1)</b>	<b>1</b>	<b>7</b>	<b>9</b>
<b>Result before bonus allowances and life expectancy update</b>	<b>39,143</b>	<b>19,217</b>	<b>30,816</b>	<b>(5,480)</b>	<b>24,717</b>
Life expectancy update	4,796	1,130	3,231	(20,025)	(1,006)
Bonus addition for the year	(30,391)	-	-	-	(6,406)
<b>Net profit for the year</b>	<b>13,548</b>	<b>20,347</b>	<b>34,047</b>	<b>(25,505)</b>	<b>17,305</b>
Guaranteed pensions	787,809	813,589	759,628	693,373	650,881
Bonus potential	159,537	146,221	125,980	92,086	117,695
<b>Net assets</b>	<b>947,346</b>	<b>959,810</b>	<b>885,608</b>	<b>785,459</b>	<b>768,576</b>

## Key points of the past five years:

DKK **142** bn realised in investment return before tax

**24** per cent average annual investment return in relation to the bonus potential

DKK **37** bn allocated to increase pensions

DKK **39** bn in pension yield tax contributed to the state coffers

**6.1** per cent average value growth for members

**0.37** per cent annual APR

### Ratios for ATP

	2021	2020	2019	2018	2017
<b>Return ratios</b>					
Return on investment before tax relative to the bonus potential in per cent <sup>1</sup>	35.0	23.3	44.2	(5.6)	29.4
Risk-adjusted return	0.9	0.8	1.2	(0.1)	1.2
Danish FSA ratios (N1), in per cent	(0.8)	10.8	16.2	3.7	2.5
<b>Bonus rate</b>	<b>20.3</b>	<b>18.0</b>	<b>16.6</b>	<b>13.3</b>	<b>18.1</b>
Value creation from guarantees in per cent	3.3	3.4	3.4	3.5	3.7
Value creation from bonus potential in per cent	24.5	13.3	30.3	(7.0)	22.5
<b>Total value creation in per cent</b>	<b>8.5</b>	<b>5.5</b>	<b>8.0</b>	<b>1.5</b>	<b>7.3</b>
<b>Expense ratios in per cent</b>					
Administration expenses relative to assets	0.02	0.02	0.02	0.03	0.02
Investment expenses relative to assets	0.16	0.16	0.17	0.18	0.19
Performance fees, external managers relative to assets	0.36	0.12	0.13	0.13	0.12
<b>Total expenses relative to assets (APR)</b>	<b>0.54</b>	<b>0.30</b>	<b>0.32</b>	<b>0.34</b>	<b>0.33</b>

<sup>1</sup>Return on Investments is calculated as a daily time weighted return on the bonus potential. In previous years, the return was calculated relative to an average start of year and end of year.

## Management's review 2021

# Sustainability is our destination

ATP is the pension fund for the whole of Denmark with 5.4 million members. We are one of Europe's largest asset managers, and we also manage two thirds of Danish public welfare spending. ATP pays out a total of DKK 300bn per year. Our most important task is to provide basic financial security - both here and now and for future generations. This means that responsibility is an integral part of our business - it is in our DNA. Fulfilling this responsibility requires that we think and act in a sustainable manner. Regardless of whether you see ATP as just another wheel in the cog that helps to keep the Danish welfare model running, or if you see us as a significant investor, a sustainable business is a precondition for us having the trust and support of the world around us.

For ATP, sustainability means that we think in a long-term manner with a holistic viewpoint and that we balance different considerations, and 2021 has demonstrated this in various ways.

In May, after a thorough preparation period, the Danish Parliament adopted an amendment of the ATP Act. The amendment, which was proposed by PFA's Supervisory Board, is fundamental in allowing that ATP will also in the future be able to deliver attractive returns to our members. The amended act provides ATP with more freedom to invest in a long-term and varied manner. And during a period of extremely low interest rates, having more room to manoeuvre is critical when it comes to creating a future sustainable business model at ATP Livslang Pension (Lifelong Pension) and allowing the pensions that are paid out to keep up with inflation and not lose value. In 2021, we have prepared ourselves for implementing the first phase of the amended act as at 1 January 2022. The

business model is expected to be implemented from 1 January 2023.

### Denmark's largest green investor

Sustainability is also a defining factor when it comes to our investments. ATP is working towards generating the best possible returns for our members while also taking investment decisions that will stand the test of time. As Denmark's largest pension company (and thus an institutional investor) we are focused on how we can play an active role in the green transition - both in Denmark and globally - and ensuring that our investments both create value for our members and that the companies that we work with become increasingly green and responsible. More than ever, there is a need for all of us to consider how we can individually contribute to taking better care of our planet.

ATP's ambition is clear: We want to contribute to making a difference as Denmark's largest green investor. The strategy is to take action and wield our influence in the areas where we believe we can have the greatest impact. Therefore, in 2021 we have defined some clear climate ambitions: DKK 100bn in green investments in 2025 and double that - DKK 200bn - in 2030. Naturally, this requires that market conditions allow for it. In 2050, our ambition is to be net carbon neutral as a company and via our investments. We will also continue to build up our portfolio (already in the billions of Danish kroner) of green bonds so that we can also contribute to the financing of the green transition.

The climate ambitions have been specified because we cannot afford to ignore this topic - for two reasons: First

of all, it is obvious to everyone that the climate needs a green transition and that concrete actions need to be taken immediately. This is one of the reasons why we are setting a specific target already for 2025.

Secondly, the green transition is an amazing opportunity for generating good returns over many years to come. Not least, this is because many different sectors need to find new commercial solutions for existing climate challenges. At ATP, we believe that future winners think and act green. At the same time, climate change also poses a significant business risk that can impact our investments, and this also calls for a greener investment profile.

In the future, we will impose requirements on the companies we invest in to already by 2025 to report on their CO<sub>2</sub> emissions. A company's climate impact must be measurable as this will allow us to keep an eye on when ATP's climate footprint from our portfolio fulfils the ambition of being carbon neutral in 2050 and being reduced by 70 per cent in 2030.

In the coming years, the climate ambitions will become an important guiding star for ATP's investment work, and the approach will also support the overall objective of creating long-term value for all of our members.

### Supporting the Danish business community

As a trendsetting Danish investor, we are an active part of the financial food chain in Denmark. We believe that this is good both for the returns we generate for our members and the Danish business community. Therefore, ATP is continually working on providing capital, assisting growth and creating jobs for

companies ranging from new start-ups to large listed companies. In 2021, ATP has supported the development of Danish businesses by, among other things, establishing a DKK 6bn investment made called ATP Long Term Danish Equity, which will over a 3-year period invest in Danish companies in growth sectors and create long-term returns for ATP.

Together with the energy company Ørsted, ATP has also announced a partnership that will make a bid on the coming energy island in the North Sea. The establishment of a Danish energy island will set new standards for the utilisation of Danish offshore wind resources and thus contribute notably to both creating jobs and strengthening competitive advantages and the green transition in both Denmark and Europe.

### Holiday pay and contact tracing - ATP assisted the authorities during the coronavirus pandemic

2021 was a year where the coronavirus pandemic still had an impact on our daily lives. At ATP, we felt this on a very close level as during the year we were asked to solve a number of critical societal tasks in order to support the Danish economy during a difficult time. The contact tracing task that was assigned to ATP is just one example of this, and it meant that ATP had to hire 700 employees to staff a newly established virtual call centre in a few weeks. These new employees were working from home and would telephone and guide people in Denmark in a coordinated manner about how they should behave on a practical level if either themselves or a "close contact" had been infected with COVID-19. Even though this task was a bit different from what we normally work with, we succeeded in solving it, and when the infection levels



## ATP's investment returns were historically high in 2021

# 50bn

The total investment returns over the past three years is now DKK 120bn

began dropping after four months, we were able to hand it back to the health authorities.

The coronavirus pandemic was also the reason behind another significant administrative task in 2021: The second part of paying the billions of Danish kroner of frozen holiday pay, which had already commenced in 2020 to support Danish private consumption during what at the time seemed like a serious economic crisis. ATP's extremely rapidly developed IT solution contributed to a total of 2.3 million people in Denmark withdrawing their holiday pay, totalling DKK 88bn before the deadline for doing so expired in April 2021.

### ATP provides welfare benefits on time

On 1 January 2021, the new rules concerning who is entitled to an early retirement pension came into effect. It is ATP and Udbetaling Danmark that administer and make decisions regarding applications for the new scheme, better known in Denmark as the "Arne pension" - since "Arne" was a blue collar worker with 40+ years in the labour market used by the Social Democrats in the last election as an example of someone who deserved to retire sooner. An early retirement pension is intended for people who have been in the labour market for more than 40 years and thus qualify for a retirement earlier than others. Since 1 August when it became possible to apply for this new pension, 34,000 people have applied for an early retirement pension.

The senior pension scheme was also added to ATP's administrative portfolio in 2021 (previously, it was managed by the municipalities). The scheme is intended for people who are close to retirement age and who have

a reduced occupational capacity. 5,266 people have been granted the senior pension in 2021.

Both of the new pension scheme's placement with ATP helps to emphasise how large a role ATP really plays in the Danish welfare system. With the DKK 300bn that ATP pays out each year, we are in direct contact with more than 2 million people who receive state benefits. We consider it an expression of trust when we are selected to manage tasks that are so important for society. For example, tasks such as the early retirement pension and senior pension where efficiency is a top priority, both when it comes to the implementation of new IT solutions, managing the payments and keeping costs down.

### Strong returns result in higher pensions for everyone from 2022

In 2021, ATP is well equipped to manage its role as a trendsetting Danish investor and a provider of basic security. The investment results over the course of the year have been historically high, and this means that ATP's assets now approach DKK 1,000bn. After generating returns 35 per cent, ATP's reserves - the bonus potential - ended up at DKK 159.5bn, which is the highest ever. On the basis of the extremely strong financial result, ATP's Supervisory Board decided during the year to increase pensions for our more than 5.4 million members. The pensions will be increased from 1 January 2022, and the increase amounts to DKK 30.4bn. The bonus amounts to a four per cent increase in pensions for all members, both current and future pensioners.

Bo Foged, CEO, ATP

## Strategic focal points

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



### Strong customer and stakeholder focus

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



### Long-term sustainable business model

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



### Responsibility

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



### Balanced cost efficiency

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



### Governance and risk management

The preconditions for being able to provide basic financial security and being a trusted company is having sufficient levels of risk management and governance in everything that we do.



### An attractive place to work

Competent and motivated employees with a high level of professionalism is a precondition for ATP to be able to realise their business targets.



**= Strong customer and stakeholder focus**



**Strong customer and stakeholder focus**

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

# We want to make a difference for our customers

At ATP, we solve tasks on behalf of all of Denmark, and our customers include virtually the entire country’s population. It is probably not many who consider themselves ATP’s customers, but you are probably encountering us more often than you think. For example, ATP is the one paying out your holiday pay when you take time off. We pay your maternity/paternity benefits when you are a new parent. We pay your rent subsidies if you qualify for those when renting. We pay your ATP Livslang Pension (Lifelong Pension) when you are no longer active on the labour market.

**Our many customers**

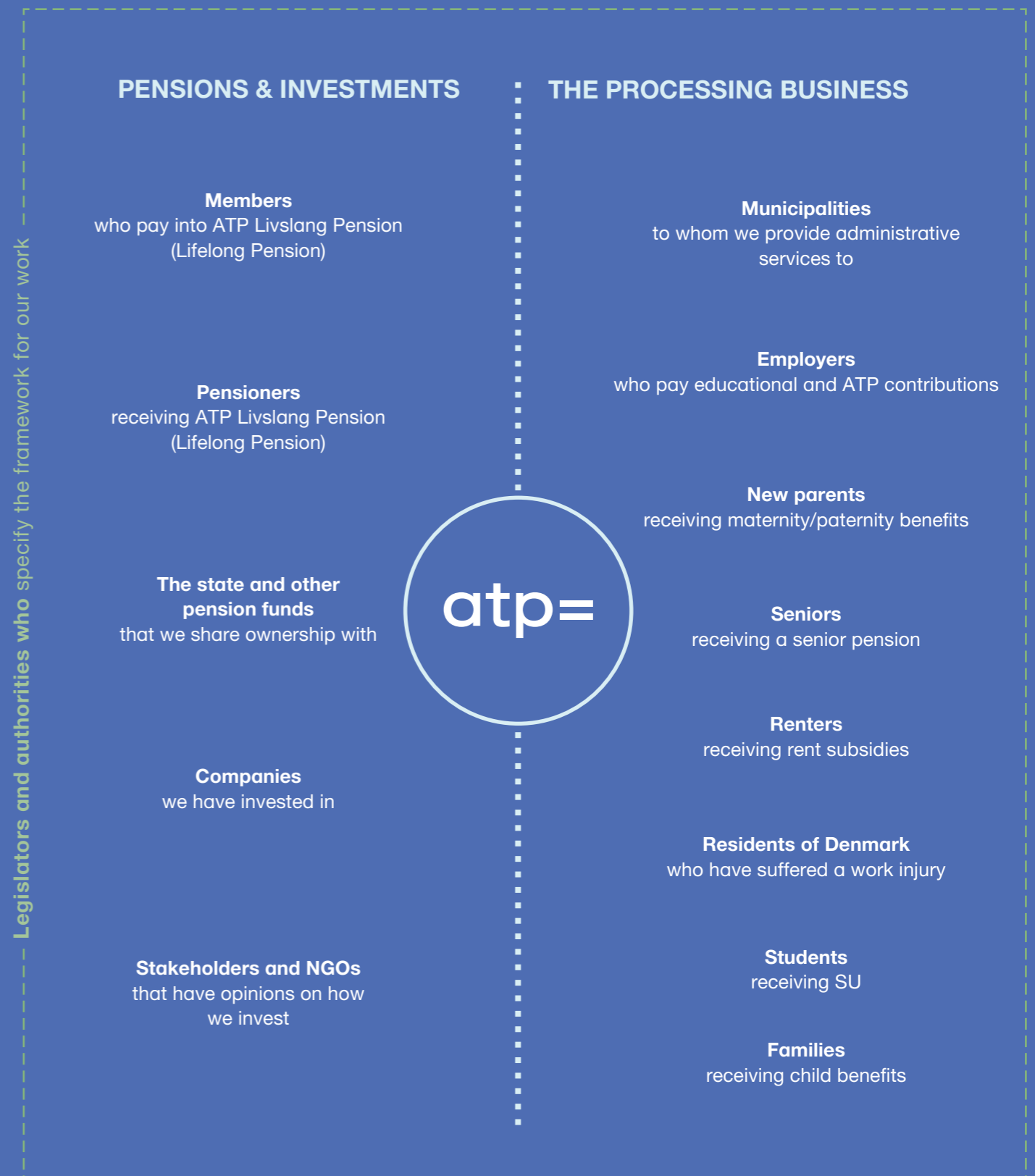
At ATP, we are dealing with a large proportion of the Danish population every single day, and our work is important to the finances of a lot of people in Denmark.

ATP Livslang Pension (Lifelong Pension) is an important source of income for many in their retirement. And our Processing Business ensures that the payments are made correctly and on time. We call this providing basic financial security. We work every day to create basic financial security for the Danish population – simply and efficiently. And we strive to always be a trusted and relevant enterprise for all Danes.

In order to illustrate in how many different contexts ATP makes a difference each day for our customers, on the reverse page you can see some examples of ATP’s many customers and stakeholders who we answer to in one way or another.

Pensions & Investments	The Processing Business
<p>In our Pension &amp; Investments, we ensure that the amount that is deducted from your payslip under the name “ATP contribution” (and to which your employer in addition pays 2/3) is invested responsibly and grows until the day you start getting paid out your lifelong guaranteed pension. Our core task is to create good and stable returns from our investments and thus ensure that both current and future pensioners get a lifelong supplement to their state pension (in the form of the ATP Livslang Pension (ATP Lifelong Pension).</p>	<p>In our Processing Business, we administer a wide range of schemes for our social partners, the Danish state and municipalities which spread a safety net under the personal finances of many people in Denmark. Our most important task is to ensure correct and on time payments, and we make every effort to create solutions that offer clear value and which are simple, effective and easy for both private citizens and companies to use.</p>

## Examples of some of ATP’s many customers and stakeholders





# DKK 30.4bn more for our members' pensions

For a number of years, ATP has created historically high financial results. In 2021, the investment return amounted to DKK 49.6bn - and this money helps to ensure that ATP is well-funded and can ensure the promised payments are made to all of our members for many years to come, but this is also money that can be used to pay higher pensions immediately if the results are sufficiently strong.

This is what happened with the results of 2021. The record results over the past three years means that ATP has now decided to increase the pension payments to all of our 5.4 million members by DKK 30.4bn. The increase is the largest in ATP's history and it will give all of our members a large lifelong pension.

## ATP Livslang Pension (Lifelong Pension)

ATP Livslang Pension (Lifelong Pension) is a collective pension scheme covering more than 5.4 million people. You will receive a monthly payment from the day you retire and for the rest of your life, and it does not matter how old you end up becoming.

ATP managed pension assets amounting to DKK 947bn at the end of 2021. We paid out DKK 17bn via ATP Livslang Pension (Lifelong Pension) to around 1 million members during the year.

[You can find more information about ATP Livslang Pension \(Lifelong Pension\) on page 26](#)

For 40 per cent of our pensioners - approximately 415,000 people - ATP Livslang Pension (Lifelong Pension) is the only supplement they have to their state pension. Therefore, this is a boost that means a lot to many thousands of pensioners in Denmark for the rest of their lives. We take money from our reserves and - figuratively, of course - hand them back to each and every member, increasing what they receive from us. We are particularly happy that we are able to increase the pension payments for all members, as now even those who are young can also look forward to a good pension.

For an average 66-year-old pensioner, the increase means that their ATP pension will grow by around DKK 14,300 in total for the remainder of their estimated life expectancy. ATP Livslang Pension (Lifelong Pension) increases by four per cent from 1 January 2022. The last time ATP increased its payments for all members was in 2017, where all pensions were increased by one per cent.

# 415,000

**pensioners only have ATP Livslang Pension (Lifelong Pension) to supplement their state pension**

## It needs to be easier

The success of ATP's Processing Business is, among other things, measured by its ability to make the correct payments on time - and then we also measure how easy it is to be an ATP customer. When we pay out DKK 300bn in welfare benefits to more than two million people, we do everything we can to make sure the process is both simple and effective. In 2021, we have launched new initiatives to focus on this.



**Just a few clicks, and you are done**

When people need to apply for benefits, it is often done via an online self-service solution. As an applicant, here you need to submit various bits of information so that we can ensure that you get the correct benefit. We are continually working on simplifying our self-service solutions so that they are simple, intuitive and easy for our customers to use. You may have tried one of our solutions yourself if you were among the 2.5 million people who applied to have their frozen holiday pay cashed out? With just a few clicks you could submit your application and shortly after that the money came into your account. On average, it took just 1 minute and 18 seconds to order holiday pay.



**Everything done at once**

When we can make it easier to be an ATP customer, we consider that a success. In 2021, Udbetaling Danmark - Public Benefits Administration has made it much easier to apply for rent subsidies. This was accomplished via a new self-service solution that allows someone receiving rent subsidies and who needs to terminate the rent subsidies for their current rental unit and apply for it for the new one to do both at once. Previously, it used to be a hassle and inconvenient to manage one's rent subsidies when moving to a new home, but now it can all be done at once.



**There is an associated contact person that helps understand how the case is progressing**

Industrial injuries are often complex, and the process can be both long and hard to figure out for those submitting claims. At Labour Market Insurance (AES), this year they launched a pilot project where people with industrial injuries are offered a fixed contact person in AES that can help them understand how their case is progressing. Among other things, the aim is to disseminate knowledge to targeted initiatives that make it easier for customers to understand the whole process surrounding the case.



**We help people understand new rules**

There are a lot of rules governing public benefits. Many of these rules are also continually being adjusted, which also happened in 2021. If you have a child under the age of 18, you will automatically get paid child and youth benefits (commonly called just child benefits). So far, the money has been transferred to the mother's account, but as of 1 January 2022, the child benefits will as a general rule be shared between the parents with joint custody. For the vast majority of families, this will not mean much in practice, but for others, it may be a challenge, both in terms of having to share the money between them and understanding why. Therefore, Udbetaling Danmark - Public Benefits Administration has been in dialogue with a number of NGOs and crisis centres that help vulnerable families and sent notification letters to the 1.2 impacted parents and put up small videos on borger.dk - all to make it easier to understand the new rules.

# The early retirement pension is now a reality

ATP's Processing Business is continually being assigned new tasks from the Danish state. For example, new tasks may be assigned following new political agreements declaring that certain people should be receiving a new public benefit. Even though we manage many different types of tasks, some are more suited for ATP to solve than others.

In October 2020, a new political agreement was reached on the creating of an early retirement pension. The proposed law was adopted just before Christmas, and ATP was selected to administer the scheme which will allow for an early retirement for people who have been on the labour market for a long time.

## Successful implementation of the early retirement pension

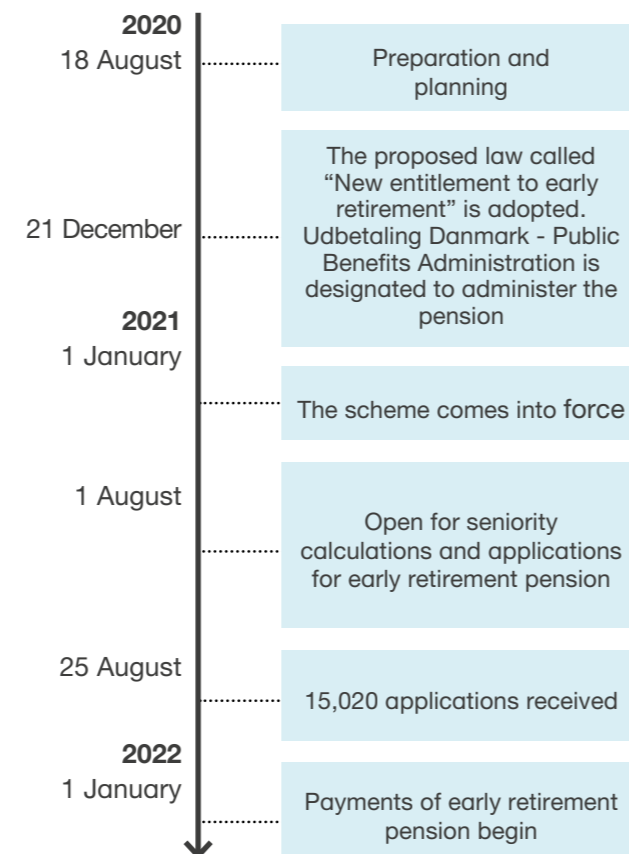
It was a complex task with a short timeframe, but the implementation succeeded because the task was one that was well-suited to our administration platform.

From August 2021, the first applicants could request a calculation of their labour market seniority, and payments were scheduled to begin from January 2022. Prior to this, a lot of work was done to prepare the technical system support, and this was a challenge - among other things, due to complex rules governing how labour market seniority is calculated. Nevertheless, the system works effectively - by the end of the year, 34,000 had applied and on average, each applicant had spent just 2.5 minutes on filling out the application.

When - despite the great deal of complexity and short timeframe - ATP's Processing Business succeeds in solving tasks such as the early retirement pension, it is

because this was a task that we are well-suited to solving and where society gets the best possible value from the administration platform that we have spent many years on continually streamlining and refining.

### Timeline for the early retirement pension



## How we create the best results for society

We can achieve notable savings in administration activity expenses and ensuring an effective system support if the tasks that ATP/Udbetaling Danmark - Public Benefits Administration are to solve have the following characteristics:

- Large volume
- Objective case processing
- Tasks where case administration can to a great extent be supported by registers and automated
- Tasks where ATP is responsible for the entire administration

# A helping hand during the coronavirus pandemic

## Contact tracing of coronavirus infections

An example of a task that also got assigned to ATP during the year was helping the Danish Patient Safety Authority with contact tracing for coronavirus cases. This is not the kind of task that is usually a good match for ATP's Processing Business, but extraordinary times require extraordinary solutions.

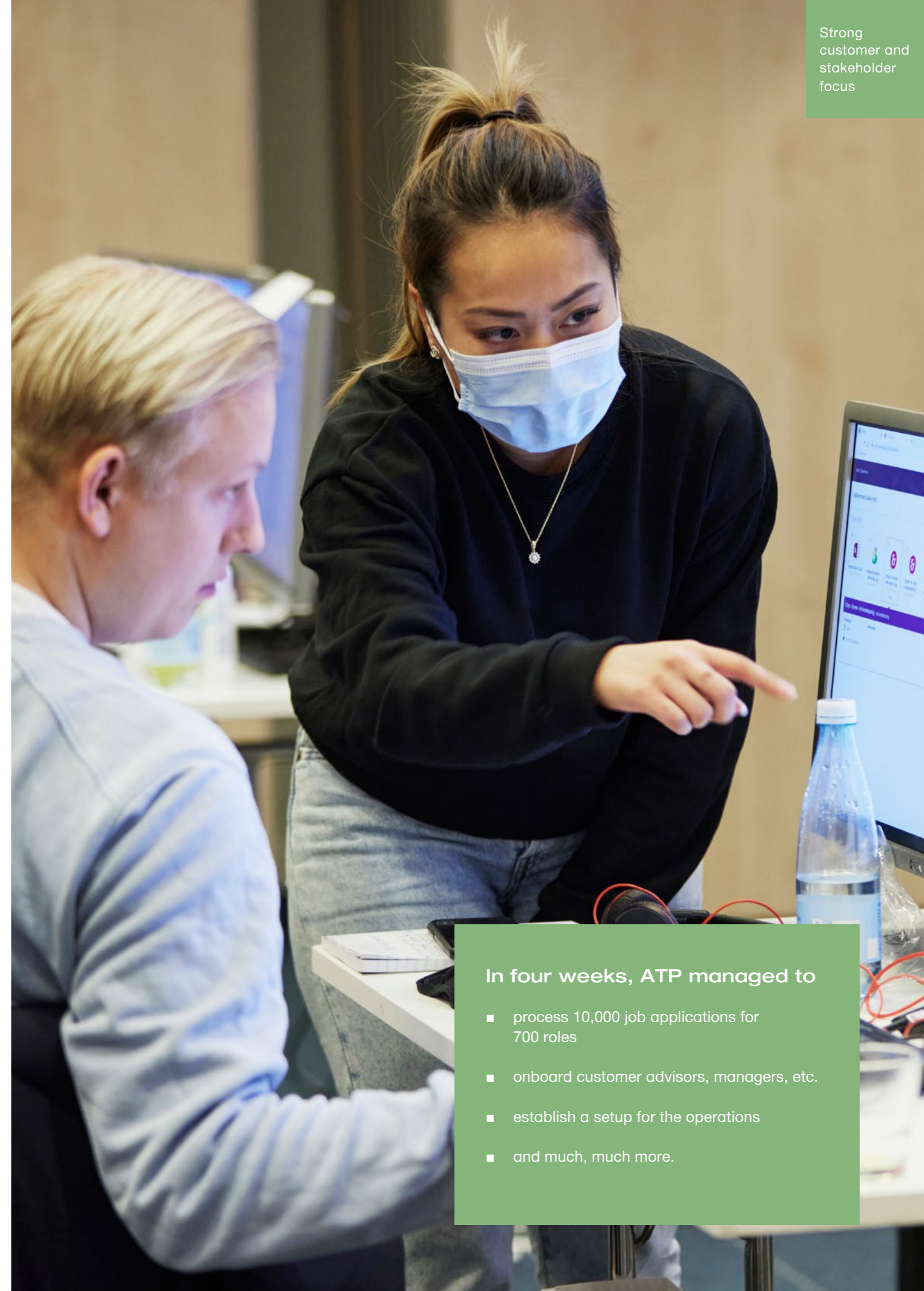
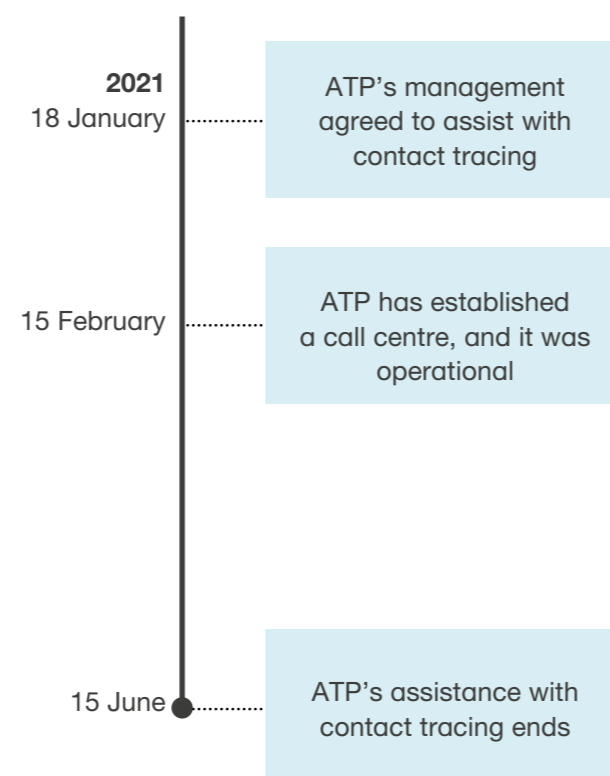
And when you are a major player like ATP, our stakeholder environment is always developing. This was also the case when those infected with COVID-19 were among the people that ATP was in contact with. In mid-January 2021, the Danish Ministry of Health requested that ATP help the Danish Patient Safety Authority with contact tracing coronavirus cases. Among other things, this meant that ATP had to establish a virtual call centre that would be operational very rapidly to carry out the contact tracing work, and this involved hundreds of customer advisors, managers, etc. who worked from home.

Even though this task was outside of ATP's normal work area, in a few weeks we managed to establish an effective organisation with 700 employees who were making calls to guide those infected with COVID-19 and who were close contacts of those infected. ATP solved the task on time and on budget, and after several extensions, ATP stopped helping with the contact tracing on 15 June 2021.

Denmark was in an extraordinary situation when the coronavirus crisis was at its peak. We really put in a lot of work in establishing the contact tracing unit, but in the long run, society gets the most benefit from ATP when the tasks allow for savings and effective system

support via large volumes, objective case processing and automation.

## Timeline for tracing of coronavirus infections



## In four weeks, ATP managed to

- process 10,000 job applications for 700 roles
- onboard customer advisors, managers, etc.
- establish a setup for the operations
- and much, much more.



**= Long-term  
sustainable  
business model**



### Long-term sustainable business model

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

# Pension company and welfare guarantee for all of Denmark

ATP consists of two business areas that both solve important societal tasks. The Pension & Investments business ensures members have basic financial security together with the state pension with the ATP Livslang Pension (Lifelong Pension) product, while the Processing Business is responsible for a number of key insurance and social benefits managed on behalf of the state, municipalities and the social partners.

### ATP Livslang Pension (Lifelong Pension)

ATP is a politically granted supplement to the state pension. The scheme has existed since 1964, and today it covers virtually everyone in Denmark. As a statutory scheme, ATP is, together with the state pension, regarded as a fundamental part of ensuring basic security in the Danish pension system, and this has a fundamental impact on how ATP invests its members' contributions.

ATP is paid out as a lifelong benefit – ATP Livslang Pension (Lifelong Pension) – from state pension age. ATP's members make monthly contributions to ATP via their payslips. Members pay 1/3 and their employer pays the rest. The precondition for receiving ATP is to have made contributions to the scheme during one's life. How much one gets paid depends on your own contributions and thus when and how much you have been in employment or on transfer income. In 2021, the contribution amounted to DKK 3,408 per full-time employee.

When calculating the size of the ATP pension that a member is entitled to, we also consider projections for our members' life expectancies and how much ATP is conservatively estimated to be able to grow the contribu-

tions from the time they are made to when they are paid out. When interest rates are high, ATP can guarantee its members a high pension from their ATP contributions – though the opposite also applies when the market interest rates are low. In order for ATP to be able to pay the guaranteed pensions, we invest the majority of the contributions with a low risk profile so that we can be confident in getting the returns used in the pension calculations.

In 2021, 80 per cent of the ATP contributions (after the Labour Market Contribution and payment for cover in the event of death) were used for pension accruals (guaranteed contributions).

The final 20 per cent of the ATP contributions (the bonus contribution) amount are funds that ATP invests with a higher risk profile in order to get higher projected returns. Generally speaking, the bonus contribution is to be used to increase the members' pensions so that they preserve their purchasing power.

At [www.pensionsinfo.dk](http://www.pensionsinfo.dk), all members can see how large their ATP pension is expected to be.

### ATP provides basic security for all

As a significant part of its members' basic financial security, ATP wants to ensure that ATP Livslang Pension (Lifelong Pension) is also large enough to be relevant in the future. This means that we must continually attempt to ensure the preservation of the purchasing power in the pensions that are paid out and increase the size of the pension by paying so-called "bonuses", which took place in 2021.

In order to ensure that ATP has the opportunity to pay higher pensions and maintaining their inflation-adjusted value, ATP is changing its business model from 2022 to allow more investment risk to be taken. This is expected to result in higher returns and thus also higher pensions for our members.

The changed business model was made possible after ATP's Supervisory Board worked towards getting the ATP Act amended over the past few years. This was accomplished in May 2021, where a proposed law was adopted by a large majority in the Danish Parliament, and this now allows for a business model that is sustainable in the long run, and which allows ATP to keep generating attractive returns without compromising on the guarantees we have given to our members.

# 40 per cent)

of pensioners in Denmark had ATP Livslang Pension (Lifelong Pension) as their only pension income besides the state pension in 2021.



### Facts about ATP Livslang Pension (Lifelong Pension)

- It is the social partners that decide on the size of the ATP contribution that is paid up until retirement. Employers pay 2/3 of the contribution.
- 3.5 million people paid into the scheme in 2021, while around one million were receiving an ATP Livslang Pension (Lifelong Pension).
- As a 66.5-year-old old-age pensioner, in 2021 you will get paid DKK 26,200 per year in ATP Livslang Pension (Lifelong Pension) - on average, DKK 17,700.
- At [www.pensionsinfo.dk](http://www.pensionsinfo.dk) you can see how large your expected pension from ATP will be.
- ATP Livslang Pension (Lifelong Pension) includes survivor benefits for your family
- ATP Livslang Pension (Lifelong Pension) also contains an inexpensive insurance component: Payments continue for life from the state pension age, thereby ensuring a fixed supplement to the state pension for all members

## How we invest now and in the future

The overall principles of ATP's business model will be preserved after 2022: 80 per cent of the members' ATP contributions will still be used to accrue pensions (the guarantee contribution). The remaining 20 per cent will still be invested in order to be able to increase members' pensions with a bonus (the bonus contribution). The 80 per cent is also (as today) guaranteed in terms of the projections for life expectancy.

From 2022, the 80 per cent will be divided into two portions for the members who have more than 15 years to go until retirement.

- 60 per cent will still be invested with a low risk profile - the interest contribution.
- 20 per cent will be invested with a higher risk profile - the market contribution.

The pension that is accrued from the market contribution will be based on the return generated by investing with a higher risk profile. The pensions accrued from these contributions will therefore fluctuate, depending on the returns achieved. The pensions accrued from the interest contribution will, as today, be based on a market rate with a high degree of security.

By investing part of the ATP contribution with a higher risk profile, it is expected that over time higher returns will be generated. As the pension for this part of the ATP contribution is regulated in line with the generated returns on an ongoing basis, the change means that members will have more to live on when they reach the state retirement age.

When we invest with a higher risk profile, there is also the risk of us sometimes losing money on our investments. This may mean that the pension that has been accrued via the market contribution will be reduced. However, it does not necessarily have a major impact if ATP can recover the losses before the member is due to retire. This is also why the change only covers members who have more than 15 years to go until they reach the state retirement age.

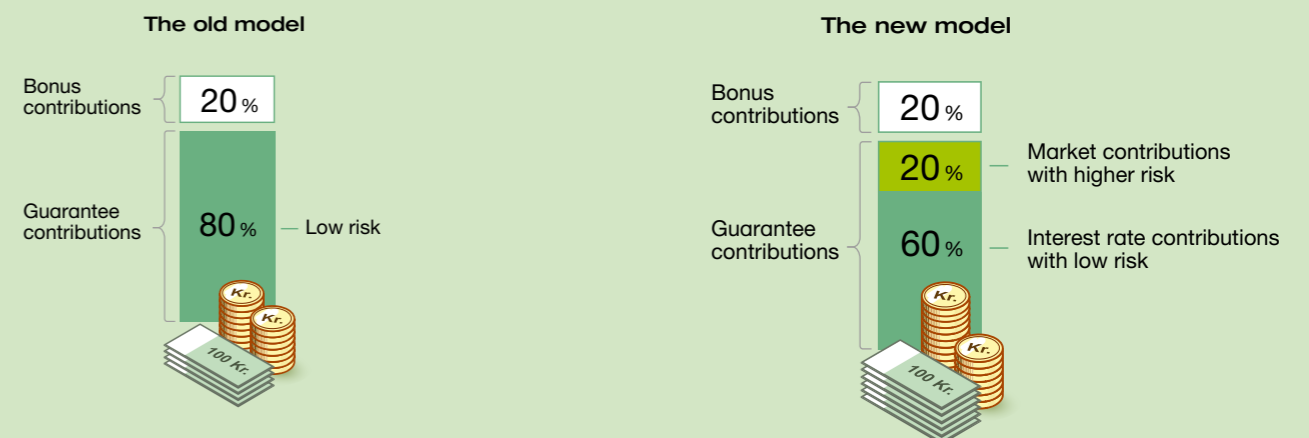
In order to avoid a serious reduction of a pension shortly before retiring, the pension that has been accrued via market contributions will gradually be invested with a low risk profile as from the time when there is 15 years to go until retirement. Thus, the pension will be a known quantity, and it cannot be reduced from the point of reaching the state retirement age - but it can still be increased via bonuses.

The change concerning future ATP contributions is the first part of the expected changes to ATP's business model. The changes to the hedging strategy are expected to be implemented from 2023.

”

At ATP, we are now improving our business model so that future pensioners can also count on an ATP Livslang Pension (Lifelong Pension) as a basis for their basic financial security. We expect that this will mean a boost to pensions, particularly for those with many years until retirement.

**Kim Kehlet Johansen,**  
Executive Vice President responsible for Pension & Risk



### The old model

When a member makes contributions to ATP, that member begins to accrue a pension that can be paid out when they reach the state retirement age, and it will last for the rest of that member's lifetime. Today, ATP invests 80 per cent of the members' contributions in the ATP Livslang Pension (Lifelong Pension) at a low risk in order to be able to guarantee the pension we have promised. ATP invests the rest at a higher risk to be able to increase the pensions with bonuses on an ongoing basis.

### The new model

The overall principles are preserved as 80 per cent of the members' ATP contribution is still used to accrue pension (the guarantee contribution). The remaining 20

per cent will still be invested in order to be able to increase members' pensions with a bonus (the bonus contribution). The 80 per cent is also (as today) guaranteed in terms of the projections for life expectancy. Of the 80 per cent, in the future 60 per cent of the contributions will be invested with a low risk profile and 20 per cent (the market contribution) will be invested with a higher risk profile in order to generate higher returns. From the point when there is 15 years to go until reaching the retirement age, ATP will, as today, invest 80 per cent of the contributions with a low risk profile. The remaining 20 per cent will, as today, be invested with the aim of generating returns to increase the pensions.

# The Processing Business pays out welfare and social security benefits amounting to DKK 300bn.

Each year ATP's Processing Business pays out welfare and social security benefits amounting to DKK 300bn. The Processing Business has two main pillars:

- **Pension & Social Security**, which manages tasks on behalf of the social partners, such as, for example, paying holiday pay and reimbursement schemes for trainees and maternity/paternity benefits.
- **Udbetaling Danmark – Public Benefits Administration**, which manages tasks on behalf of the municipalities and the Danish state. Tasks include paying state pensions, child and family benefits, rent subsidies, international pensions, etc.

Managing these statutory benefits in Denmark, which is the specialty of the ATP Processing Business, is generally characterised by large volumes, objective case handling and tasks for which the case handling takes place under one authority from end to end.

The Processing Business works with tenders and the development of large and complex IT systems, digitalised and system-supported legislation, taking advantage of economies of scale (for example, via common functions) and operates under a robust and reassuring risk management strategy and operational management. The target is positive customer experiences based on cost-effective administration, secure and stable operations and strong compliance.

In the past few years, the Processing Business has received many new tasks, which have become increasingly complex and require a subjective case processing. In order to be able to continue to ensure cost-effective and simple administration with secure and stable operations, ATP focuses on clarifying what it is that ATP does well and where ATP can create value.

# 2/3

of welfare spending in Denmark is paid out by ATP





= Responsibility





### Responsibility

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

## Climate and returns go hand in hand

When you are responsible for a large portion of the pension assets of the Danish public, you have a responsibility for taking long-term decisions that ensure sustainable value creation for ATP's members, our customers and other stakeholders.

Sustainability is therefore a guideline for thinking and acting at ATP. That is what we aim for as a business, and it is a critical factor in preserving the support and trust that we need society to have in us.

It is our task to balance considerations towards customers and clients and the desire to create returns which are as possible for pensioners - while at the same time acting responsibly in a society that is demanding more and more responsibility as society in general expects more in terms of how companies like ATP should behave financially, socially and environmentally.

Climate change - and mankind's responsibility for it - has now become a global agenda. As a large European institutional investor, ATP has the opportunity to have a positive impact on the green transition that we believe is necessary. We are focusing on how we can make a real difference. By investing using best-in-class principles in

the sectors where a transition from black to green will have a great impact on global CO<sub>2</sub> emissions, we can do the most good by helping to reduce emissions of CO<sub>2</sub> in the sectors where the impact of a green transition would be most noticeable, i.e. the transport sector and energy supply sector.

ATP wants to be Denmark's largest green investor. We believe that the winners of the future will be those that find solutions to the current climate challenges. In 2021, we have set an ambition for ourselves to have green investments worth DKK 100bn in 2025 and DKK 200bn in 2030.

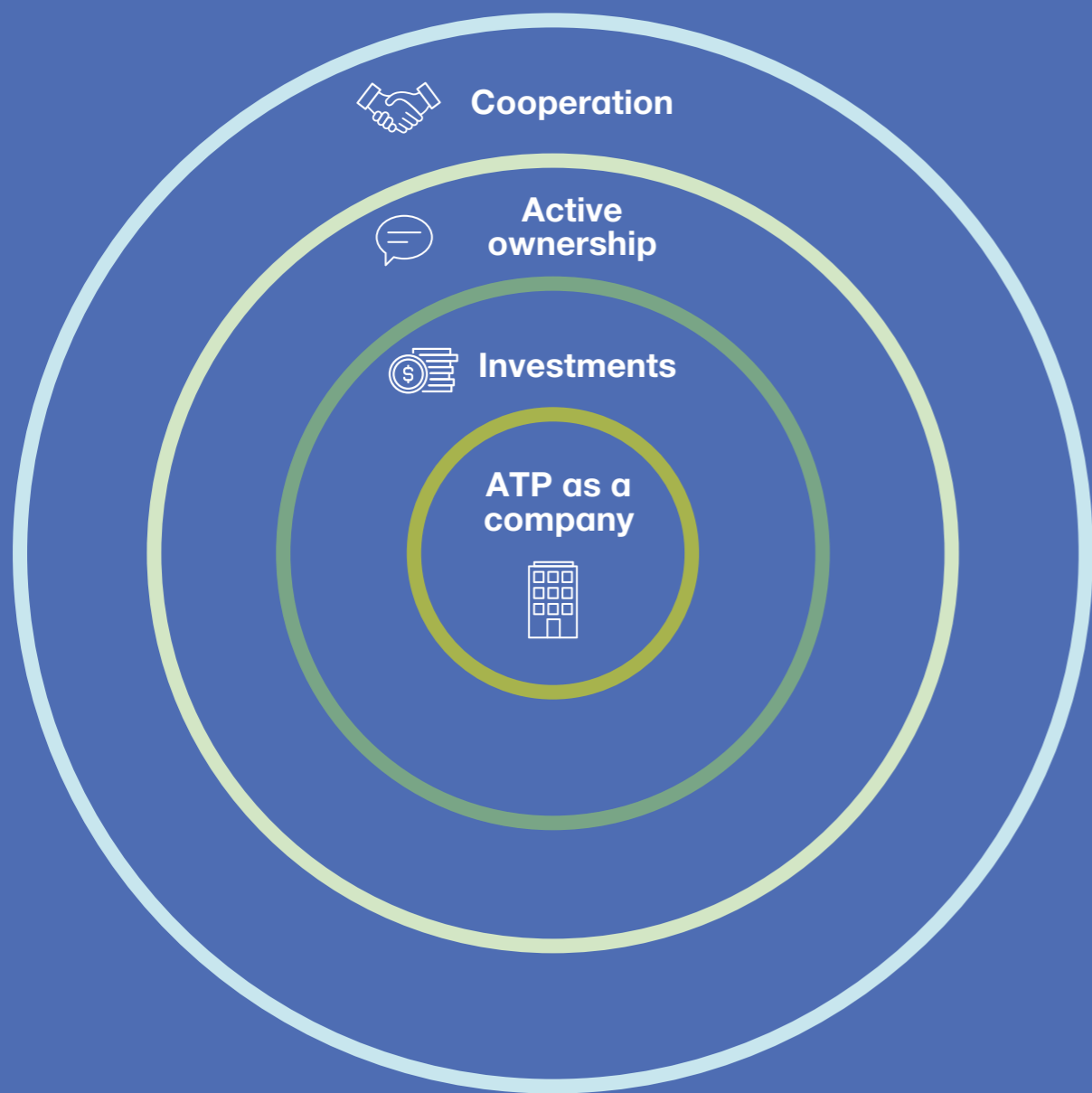
ATP has a long track record of taking responsibility for the society we are part of, whether as an investor or pension fund or as an administrator of welfare benefits or as a workplace - but we cannot get to where we want to be alone. In order to make the greatest possible difference, we are concentrating on selected areas in which we have special expertise and resources. We fulfil our responsibility both by what we do ourselves as a company and by impacting the world around us and collaborating with others.

”

**Our planet needs a green transition and for concrete action to be taken. At the same time, the green transition is a fantastic opportunity for us to create good returns over the next many years because a lot of sectors will need to develop new commercial solutions. Climate change itself also poses a risk to our investments. Therefore, ATP cannot afford not to take action immediately.**

**Bo Foged, CEO (Chief Executive Officer), ATP**





### Like rings in the water

ATP's responsibility relates both to what we do, ourselves, to how we affect the world around us, and to how we cooperate with others. This is shown in the illustration to the left.

It is important that we take the lead and take responsibility. Both in terms of environment and climate, in terms of the people for whom we are responsible, and in terms of the way we run our business.

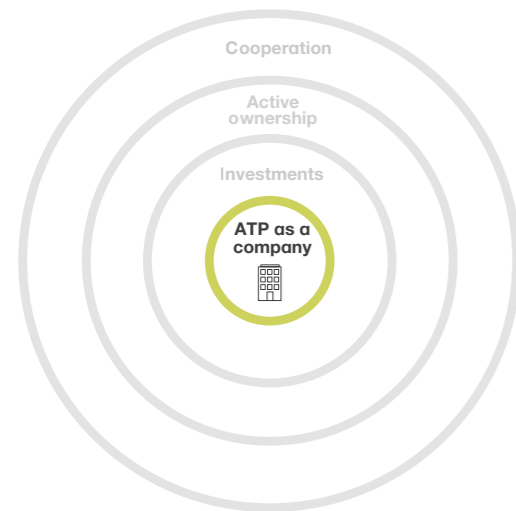
As a company, we are working on reducing our CO<sub>2</sub> emissions. In 2021, we did this by, among other things, placing solar panels on the roof of our main office and setting up a ride-sharing service using a new app. As an investor, we work on integrating considerations related to climate, environment, and social and management elements into our investment portfolio.

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

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

ATP's responsibility is like rings in the water - the more we create, the more of an impact we have.





## ATP as a company

### Solar panels on the roof

One of the most important initiatives in 2021 was installing 1,200 m<sup>2</sup> of solar panels on the roof of ATP's head office in Hillerød. The aim is to get as much green electricity as possible for the building on Kongens Vænge.

Just as we have requirements for the companies we invest in, we must also set requirements for ourselves. ATP has an objective of being carbon neutral as a company in 2050, and here the solar panels both help to limit our CO<sub>2</sub> emissions and help us save money on our electricity bills.

The solar panels will cover part of the electricity consumption at ATP's headquarters and will result in an estimated 47 tonnes of CO<sub>2</sub> savings per year.

### Partnership for green public sector purchases

ATP has become a member of a partnership for green public sector purchases (Partnerskab for Offentlige Grønne Indkøb/POGI). POGI includes a number of public sector organisations that want to do their part for the environment via green purchases and the development of shared purchasing goals.

Membership is free, but comes with binding commitments. This means that ATP must follow the shared purchasing goals and have a publicly available purchasing policy where environmental considerations are a significant parameter for ATP's purchases. The partnership is part of our internal work on developing ATP into an even more sustainable company.

### Ride sharing app - an easy way to get to work by carpooling

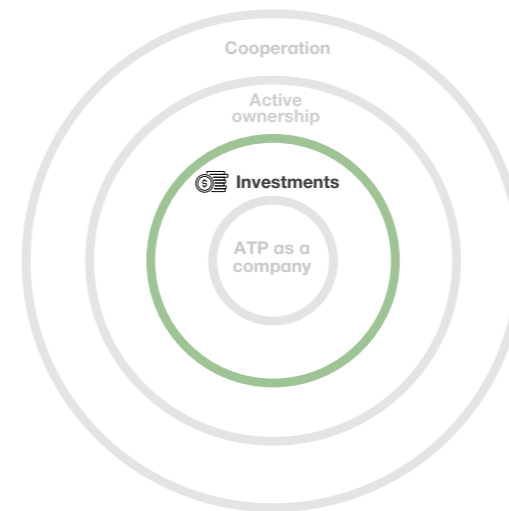
In 2021, we also made it easier for our employees to get to work in a way that reduces their former climate footprint. In a collaboration with FDM, we have launched a ride sharing app which is an initiative that can both reduce congestion on roads, reduce CO<sub>2</sub> emissions and help our employees save money on transportation. The app is called "Ta Med" ("Ride along" in English) and makes it easier to offer or receive a lift to and from ATP's locations.

The desire to reduce CO<sub>2</sub> emissions while travelling to and from ATP as a workplace goes hand in hand with the stricter requirements we have for the companies we invest in.



**This year, ATP will be taking its own medicine. We will be reducing our CO<sub>2</sub> emissions by, among other things, optimising our consumption of water, heating and electricity and focusing on our consumption of raw materials in our canteen and getting better at sorting waste.**

**Marie Foltmann,**  
ATP Communications Director



## Investments

### Green car batteries

This year's single largest investment combines our focus on generating returns, the desire to have a sustainable ATP and the will to contribute to the green transition. In 2021, ATP chose to allocate almost DKK 1bn to the Swedish company Northvolt, which is working on manufacturing the world's most sustainably produced battery for electric vehicles. The investment means that ATP has now allocated DKK 1.5bn to this Swedish company which has an order book exceeding DKK 165bn and which will deliver batteries to car companies such as Volkswagen, BMW and Scania.

### Growth and jobs

As a trendsetting Danish investor, we view ourselves as an active part of the financial food chain in Denmark. This means that ATP is continually working on providing capital, assisting growth and creating jobs at all levels of the Danish business community, ranging from brand

new start-ups to larger listed companies. In 2021, ATP has supported the development of Danish businesses by, among other things, establishing ATP Long Term Danish Equity, which is a DKK 6bn investment mandate. Over a 3-year period, ATP Long Term Danish Equity will invest in Danish companies in growth sectors such as, for example, IT, medtech, pharma and renewable energy, where ATP as a long-term owner of around 49 percent of companies can contribute to supporting things such as an imminent digital transformation.

An important aspect of supporting the Danish business community is providing companies with the capital they need. In 2021, ATP has supported Danish Growth Capital III, contributed to the listing of the Danish hydrogen company, Green Hydrogen Systems, and has also injected a significant sum in Medtrace, which is a company specialising in the treatment of heart patients.



You can read more about ATP's statutory account about responsibility and gender distribution in management roles and ATP's progress report for the Global Compact at

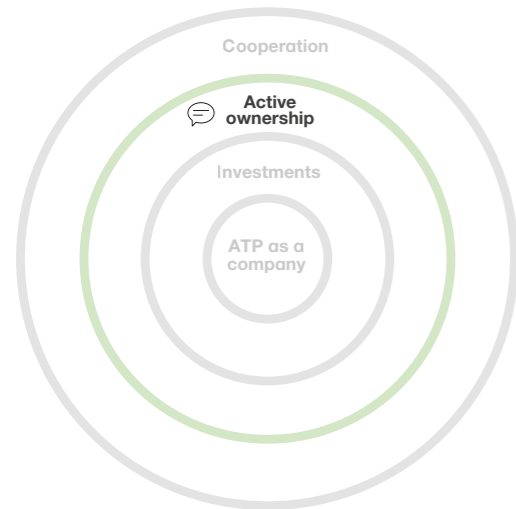
→ [www.atp.dk/en/dokument/responsibility-report-2021](http://www.atp.dk/en/dokument/responsibility-report-2021)

Read more about ATP as a responsible investor at

→ [www.atp.dk/en/responsible-investments](http://www.atp.dk/en/responsible-investments)

ATP has published five thematic reports which deal with different aspects of ATP's responsibility work. The reports are available at

→ [www.atp.dk/en/responsibility-reports-and-publications](http://www.atp.dk/en/responsibility-reports-and-publications)



## Active ownership

### We use our voice and voting rights

ATP is actively involved in the companies we invest in – how they act and develop. We seek to gain more knowledge and insights and wield our influence, and particularly in Denmark, we also serve as a sparring partner for both boards of directors and executive boards in large companies and we also vote at annual general meetings. This is what we call “stewardship”.

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

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

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

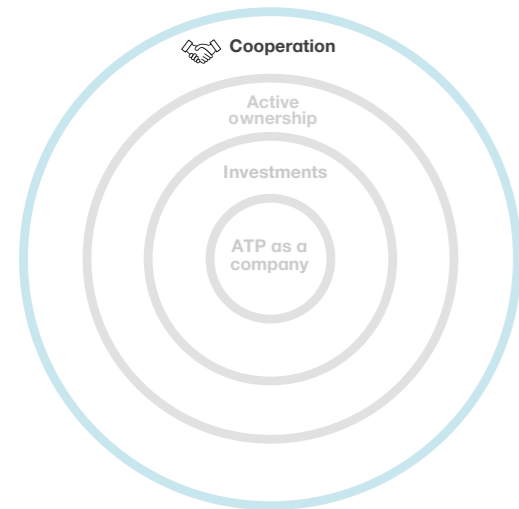
either exclude or engage in a targeted dialogue with the company.

### Strong companies pursue diversity

At ATP, we believe that how companies manage their human capital is becoming increasingly important as more and more industries are becoming knowledge industries and thus more reliant upon attracting employees with the right competencies - and enabling them to thrive and thus stay in their jobs. This allows companies to both retain and expand upon their human capital, and that is how companies manage their human capital which is an important parameter in our stewardship activities. We know from ATP’s [2020 report on human capital](#) that around 25 per cent of ATP’s portfolio companies operate in industries that are particularly reliant on human capital. In 2021, we have introduced new initiatives by involving human capital elements in our fixed processes for stewardship. This year, we have been in dialogue with 21 companies in our equity portfolio that have significantly higher rates of staff turnover than the rest of their peers. This may indicate that the companies are not sufficiently prioritising their human capital and thus not using their full potential.

One of our focus areas in 2021 has been diversity. We know from studies that greater diversity in a company can increase innovation and competitiveness and also improve the bottom line. Conversely, a lack of focus on diversity can result in poorer cohesion, lack of innovation and, ultimately, end in outright discrimination of certain groups. This can have major human and financial consequences for the company.





## Cooperation

### ○ Climate partnerships across the pension sector

It is ATP's ambition to contribute to the green transition and thereby improve our possibilities of creating good returns for our members. With an ambition of having DKK 100bn in green investments in 2025 and twice that, DKK 200bn, in 2030, ATP has wanted to send a clear signal that we as an investor believe that the future is green.

ATP needs to take action now, both for the climate and because of the investment-related opportunities and risks. The green transition has the potential to create good returns over the next many years, not least because a lot of sectors need to find new commercial solutions to existing climate challenges. At the same time, climate change poses a significant business risk that can hit our investments.

At the COP26 climate summit in the autumn, ATP was part of the coalition that endorsed increasing green investments by up to a total of DKK 830bn between now and 2030. The initiative, which was under the auspices of the Climate Investment Coalition (CIC), is endorsed by the Danish pension sector and pension funds from the rest of the Nordic region and the United Kingdom.

CIC is a collaboration between the pension industry in Denmark, the Danish Ministry of Climate, Energy and Utilities, the Institutional Investor Group on Climate Change (IIGCC), Finance Denmark and the World Climate Foundation.

The goal of the coalition is to create an international wave of climate investments and thereby support the work of funding the green transition.

### ○ Active on many fronts

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

This applies to our daily work where we are continually in dialogue with relevant ministries and authorities, municipalities and the social partners. We also cooperate with organisations representing the citizens who receive the benefits – e.g. Ældre Sagen and housing associations.

As an investor, ATP is also active in a number of international organisations such as Climate Action 100 Plus, which is an initiative among global investors aiming to ensure that the world's largest greenhouse gas emitters commit to reducing climate change. There are now more than 615 investors taking part in [Climate Action 100+](#), representing a total of DKK 300,000 bn (USD 60 trillion).

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

existing and new properties relative to sustainability and in 2021 achieved a rating of four stars out of five.

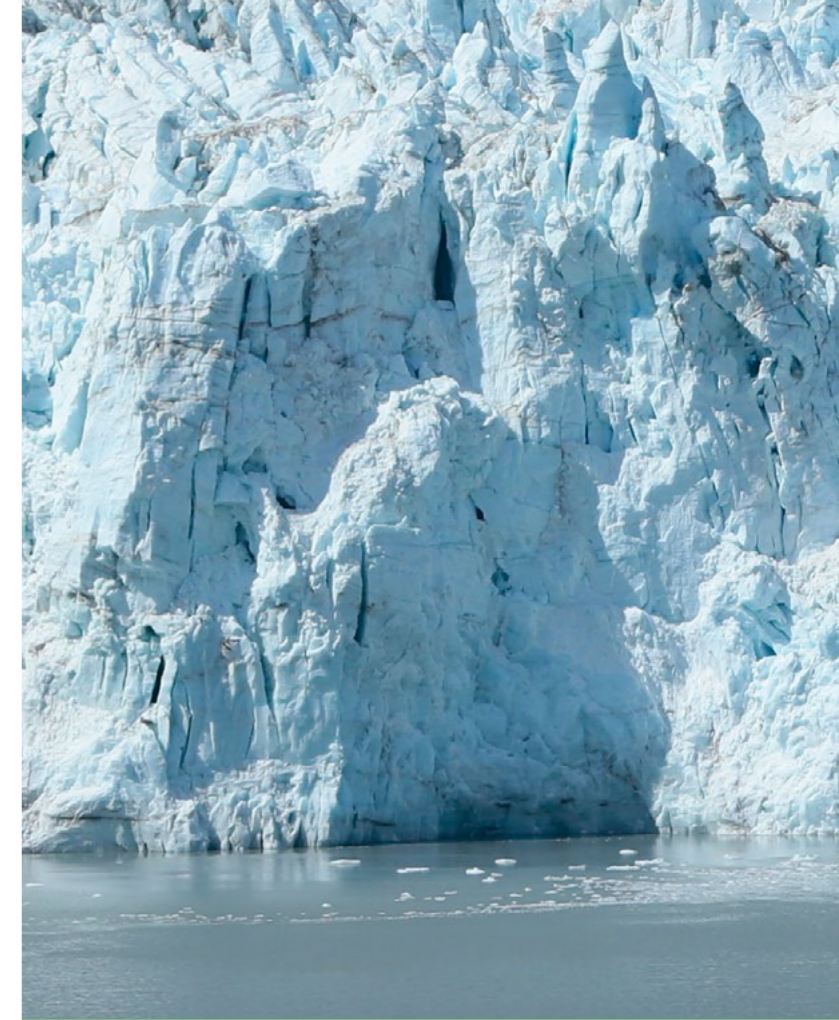
In our daily work, we are continually in dialogue with relevant ministries and authorities, municipalities and the social partners. We also cooperate with organisations representing the citizens who receive the benefits – e.g. Ældre Sagen and housing associations. In ATP's Processing Business, partnerships also create value, such as ATP's participation in the shared public sector digitalisation work.

## ESG and ESR

ATP works with responsibility within the framework of both international and Danish legislation and conventions. We support the Paris Accord and Denmark's target of a 70 percent reduction in CO<sub>2</sub> emissions by 2030. In addition, the UN's 17 Global Goals are also important relative to the work with responsibility. As an employer, we focus on objectives such as health and welfare, gender equality, sustainable energy and climate initiatives. In our investment business, it is the companies in which we invest that work with the Global Goals, and all the goals are represented.

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

CSR stands for Corporate Social Responsibility and ESG for Environmental, Social and Governance. Both concepts cover the elements included in ESG. E is for environmental aspects (climate or environment), S is for social aspects (people) and G is for governance, meaning managerial or legislative factors.



A scenic view of a park with a paved path, tall trees, and two people jogging. The path is a light grey color and curves through a grassy area. Two people are jogging away from the camera on the path. The person on the left is wearing a blue shirt and black pants, and the person on the right is wearing a grey shirt and black pants. The background is filled with large, mature trees with green and yellowing leaves. A wooden bench is visible on the left side of the path. The overall atmosphere is peaceful and natural.

**= Balanced  
cost efficiency**



### Balanced cost efficiency

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

# Every penny counts

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

In order to create a sustainable balance between quality, risk and expenses, ATP works with a balanced approach to cost efficiency. This does not mean that we lack ambitions for the area, but we do weigh the costs in relation to quality and risk, and we are always considering whether specific decisions are sustainable in the long run. It is relatively simple to reduce expenses in the short term, but

significantly more difficult to do in a manner that is also viable far into the future.

In a world in which returns expectations keep falling, expenses become increasingly more important to be able to create good pensions. The level of expenses directly affects future pensions. Even small differences in expenses can, over longer savings periods, result in significant differences in pension payments.

We work with balanced cost efficiency in all areas:

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



# DKK 40

in administration costs  
per member

## ATP is able to keep its administration costs down because we have a single product on our shelves.

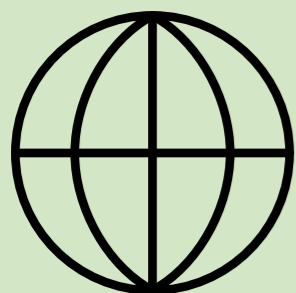
ATP Livslang Pension (Lifelong Pension) is a mandatory pension scheme which allows for economies of scale that benefit members in the form of low administration activity expenses. A large proportion of communication with ATP's members is also now digitalised, payment processes in and out are automated and the IT platform is stable. This all contributes to keeping the expense level down.

In line with ATP's long-term development strategy, we are making continuing investments in the IT platform to ensure that it remains up-to-date and supports appro-

appropriate IT security. In 2021, ATP has also participated in joint public sector digitalisation initiatives.

We will also be prioritising those in the future, and all other things being equal, this should lead to higher costs in the investment phase but at length, efficiency improvements should result in us being able to keep the overall costs steady.

ATP's administration activity expenses in 2021 were DKK 213 million, equal to DKK 40 per member. This, as in previous years, is very low in an international context, according to the benchmark analysis below. ATP's administration activity expenses form part of ATP's total, annual expenses in percent (APR). APR is the pension industry's standard method of collating and measuring all expenses related to a pension product with the purpose of providing members with the greatest possible degree of transparency.



## International comparison<sup>1</sup> of administration activity and investment expenses

<sup>1</sup> CEM Benchmarking is an international comparison of global pension funds.

Administration activity expenses in ATP Livslang Pension (Lifelong Pension) are below

# 1/10th

of the average for comparable, global pension funds.

The most recent international comparison (based on 2020 figures) of expenses in the investment area in which ATP has participated shows that the total investment expenses of ATP Livslang Pension (Lifelong Pension), adjusted for indirect return-related fees, are among the very lowest in the industry, including global pension funds. ATP's total investment expenses are on average 36 percent lower than for comparable companies with roughly similar net assets to ATP.

# It costs money to make money

On the investment side of things, there is also a continuous focus on how we get the greatest benefit from the funds. In 2021, as in previous years, ATP has been looking at which investments can be better managed in-house by our own portfolio managers and in which specialised areas it makes more sense to involve external managers. It is typically much more expensive to place mandates with an external manager, which is why it must constantly be checked whether an additional return is created which justifies the extra expense. When ATP assesses the most appropriate placing of funds, we consider factors such as risk-adjusted returns, cost efficiency, specialist knowledge and local market insights, tax issues, responsibility and ownership. All of those things combine to determine whether and how potential returns should be pursued. The cost base composition is a result of what, in the long term, is expected to contribute additional returns for the benefit of ATP's members.

ATP's APR for 2021 was 0.54 per cent of aggregate assets, which relative to the industry is still at the lower end of the spectrum. Administration activity expenses contribute 0.02 per cent and investment expenses 0.52 per cent. When managing investment expenses, our primary focus is on optimising returns after expenses. This does not, however, change the fact that APR is a central key figure for ATP, and the objective is clear: We need to be the cheapest in the sector. External managers' fees represent by far the majority of the APR base, which is why performance relative to expenses is continuously assessed.

# 0.18 percent

**APR excluding performance fees**

ATP's APR before performance fees has for a long time been relatively low. As a result of the extraordinarily high returns in the past few years from private equity funds that ATP has invested in, there will now be triggered performance fees for asset managers which will increase the overall APR levels. ATP's APR has thus risen from 0.30 per cent in 2020 to 0.54 per cent in 2021, which is mainly attributed to higher performance fees due to the abovementioned higher returns in private equity funds. The higher costs are thus a result of higher returns, which of course, our members benefit from.

It will also be natural to view the APR in the context of the value that ATP has created for its members. In 2021, there has been an average value creation for members of 8.5 per cent after the total expenses amounting to 0.54 per cent.



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**You have to spend money to make money. Costs need to be considered on the basis of ATP being able to ensure the pension guarantees to its members while also having generated returns of DKK 136 million on average every single day in 2021 in the investment portfolio - a total of DKK 50bn.**

**Martin Præstegaard,  
Vice Chief Executive Officer, CFO, ATP**

## Statement of annual expenses in 2021

	DKKm	DKK per member	APR
Administration activity expenses ATP	213	40	0.02 per cent
Investment expenses ATP	653	121	0.07 per cent
Investment expenses subsidiaries	300	56	0.03 per cent
Investment expenses, external mandates	607	113	0.06 per cent
<b>Total investment expenses ex performance fees</b>	<b>1,560</b>	<b>290</b>	<b>0.16 per cent</b>
<b>Annual expenses, excluding performance fees</b>	<b>1,773</b>	<b>330</b>	<b>0.18 per cent</b>
Performance fees, external managers	3,374	627	0.36 per cent
<b>Total annual expenses</b>	<b>5,147</b>	<b>956</b>	<b>0.54 per cent</b>

## Standard rates for measuring the total cost base

APR is the pension industry's standard method of collating and measuring all expenses related to a pension product with the purpose of providing customers/members with the greatest possible degree of transparency. This includes the direct investment expenses that are deducted before the returns are allocated to the individual pension plans. The guidelines for measuring APR allows for the use of standard rates for investment expenses. It is also possible to use the actual expenses if they provide a more accurate picture than the standard rates and if sufficient documentation

can be had for this. When measuring expenses, companies can choose to apply actual expenses or standard rates per individual investment.

ATP has chosen to use actual expenses for all investments. This means that during years with particularly high returns (especially from private equity funds), ATP will typically have a notably higher APR than if ATP measures APR using the standard rates for expenses. If the standard rates were used to measure all investments, ATP's APR would have been 0.24 percent in 2021 instead of 0.54 percent.



# High returns result in high performance fees

ATP invests in private equity funds because such funds are highly specialised in the markets they operate in and from experience we can see that they have generated very high returns. ATP's subsidiary, ATP PEP, invests in over 200 different private equity funds and has more than 1,400 companies in its portfolio.

Most of the private equity funds that ATP typically invests in operate in a way that means that they do not get any performance fees before they have generated over 8 percent returns per year over the fund's lifetime.

If private equity funds manage to generate returns above this so-called 'hurdle rate' (typically 8 per cent), ATP and the asset manager will share the generated returns, which is typically done via a 20/80 split for the asset manager and ATP respectively.

During an investment period/lifetime of a fund, which is typically around 14 years, ATP has historically achieved a 2 or 2.5 times return on investment.

ATP PEP has delivered a return of 44 percent after expenses in 2021. This is a net return from the PEP

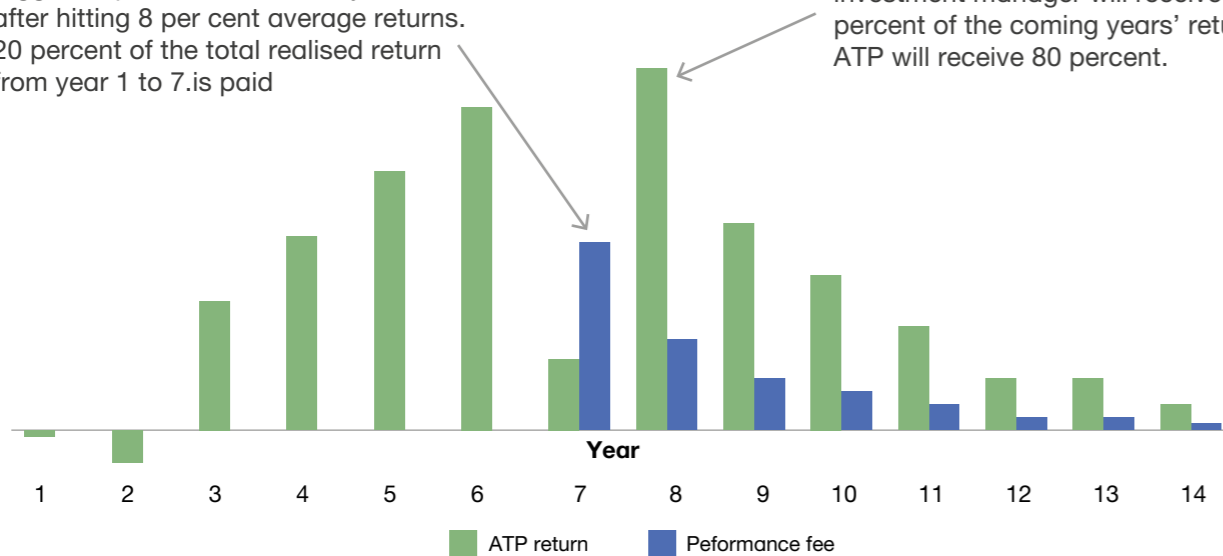
investments that is gained after all expenses and profit sharing via performance fees to fund managers, and this is a very satisfactory result.

Just as with ATP's other investments, we are continuously monitoring (using various return targets and performance perspectives) whether adjustments are needed as to how large ATP PEP's portfolio should be. ATP PEP is a significant contributor when it comes to generating returns after expenses for ATP's members and it also contributes with a diversified portfolio. Since they began in 2003, the investments via Private Equity Partner have delivered higher returns than the main index of the listed market.

## Example of profit sharing for returns in fund's lifecycle

Hurdle rate: The investment manager triggers a performance fee in year 7 after hitting 8 per cent average returns. 20 percent of the total realised return from year 1 to 7 is paid

After the hurdle rate is achieved, the investment manager will receive 20 percent of the coming years' returns while ATP will receive 80 percent.



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**When we pay performance fees to external managers, it is a form of profit sharing rather than an actual expense. That is how the business model looks for successful private equity funds, but we are always working on getting lower prices and thus lower expenses for our members. The critical thing is that our members see additional gains on the bottom line.**

**Martin Præstegaard,  
Vice Chief Executive Officer, CFO, ATP**

# We digitalise and optimise

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

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

The business processing for external parties is mostly subject to requirements concerning annual efficiency improvements of between 2-5 percent in the underlying operations, which is achieved by continuously optimising

customer service and support functions. Additionally, the operations have absorbed increased costs to be compliant with the GDPR and due to an increased focus on IT security matters.

## ATP administration takes place on a cost-recovery basis.

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

In 2021, all agreed expense budgets for the schemes managed were complied with.

**DKK 900 million**  
was invested by ATP in digitalisation projects in 2021

## ATP contributes to public sector digitalisation

The digitalisation agenda in the public sector has also had a great impact on ATP. Digitalisation is of course not an end in itself, but it is certainly one of several tools that can help to fulfil the ATP Group's strategic objectives.

ATP's work with digitalisation is influenced to a great extent by various framework conditions. For example, these include the expectations of customers, the characteristics of the various schemes, legislation governing benefits, joint public sector digitalisation, compliance requirements, the GDPR and information security.

ATP has come a long way in terms of using technology and digitalised data to improve services, processes, functions and activities.

In the past few years, ATP has also successfully tested new technologies such as RPA, talking robots and Machine Learning. These technologies have made the case processing work easier when working with large volumes and many repetitions, but they also have additional potential, as the technologies are still relatively immature and some are still not working with Danish as a language.

A review of the digital status of five core schemes/benefits in ATP's Processing Business shows that the preconditions and opportunities for digitalisation are very much impacted by the individual scheme

or benefit's characteristics. Schemes with high volume and objective criteria for case processing are generally more automated and have fewer manual processes than schemes with low volume. Schemes with a higher amount of decisions requiring estimates and judgements and high volume often benefit from IT solutions that support the process, but generally due to the nature of the work, they are less able to be automated.

Digitalisation is also an important tool in ATP's investment processes, which among other things, depend on how the capital markets develop and fluctuate 24 hours a day and change the return and risk picture. There is a need for continuous transparency about investments and risk profiles and for capital market data to support decisions that might have to be made about changing the composition of a portfolio. Such changes can result in a large number of securities traded on global financial markets that need to be registered, accounted for and settled. Therefore, digitalisation with a high degree of automation is critical when it comes to scalability and thus efficiency in the investment process.

In 2021, ATP's total IT project framework amounted to around DKK 900 million which is on the same level as the year before. The majority of the projects are either due to compliance with legislation or because they are critical to the business functions.



= Governance  
& Risk  
Management



### Governance and risk management

The preconditions for being able to provide basic financial security and being a trusted company is having sufficient levels of risk management and governance in everything that we do.

# Focus on risk management

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

#### Why is this so important?

Governance and risk management is a precondition for ATP being able to provide basic financial security and be a trusted company. This is part of ensuring relevant lifelong pensions and being trusted by the world at large and ATP's members.

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

#### Governance

ATP was founded as a self-governing institution with its own decision-making processes and Supervisory Board by an act of the Danish Parliament. The arms-length principle that results from this is both fundamental and crucial to ATP's success.

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

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

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

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

ATP's most significant risk is, as illustrated on the opposite page, related to investment risks, pension risks, operational risks and regulatory risks.

You can read more on the following pages about how ATP manages regulatory and pension-related risks in particular.



### Operational risks

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



### Investment risks

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

Read more about risk and the financial situation:  
→ [www.atp.dk/en/results-and-reports-atp-group](http://www.atp.dk/en/results-and-reports-atp-group)

## Most significant risks



### Regulatory risks

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



### Pension-related risks

ATP disburses a monthly pension for as long as the members are alive. This makes life expectancy trends the greatest single risk for ATP. In addition to including the observed life expectancy development in calculations, ATP also considers expected future life expectancy improvements when measuring the pension liability relative to members. ATP's method and model for this are based on information about its over 5.4 million members supplemented by data regarding some 340 million inhabitants in 18 OECD countries.

Read more about ATP's work on life expectancy predictions:

→ [www.atp.dk/en/dokument/atps-life-expectancy-model-2021](http://www.atp.dk/en/dokument/atps-life-expectancy-model-2021)

# Regulatory risks

On the regulatory front, 2021 was an eventful year for ATP. First and foremost, the ATP Act was amended in May, which means that ATP can also in the future be a guarantor of basic security for pensioners in Denmark.

## Political support for ATP

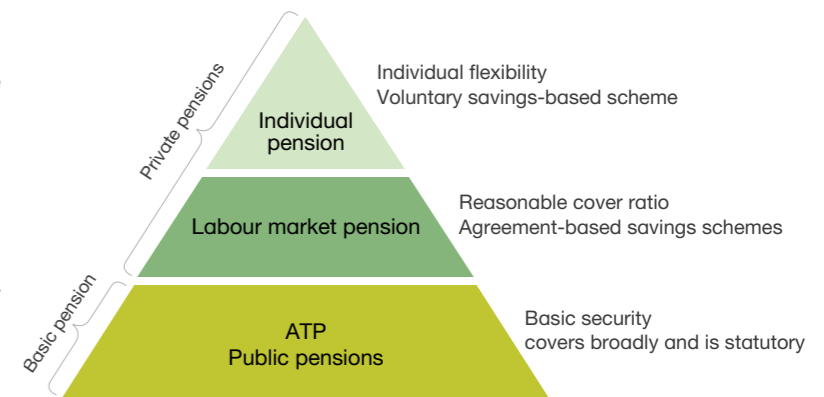
The Danish Parliament adopted an amendment of the ATP Act on 18 May with broad support following ATP's Supervisory Board's recommendation to allow for the changing of ATP's business model. There has been a good dialogue with the Danish Parliament and the proposed act was adopted with support from a broad majority of parties. The amendment gives ATP more freedom to invest with a more long-term view and with expected higher returns to our more than 5.4 million

members. The amendment is critical in order to create a more sustainable business model that improves ATP's ability to live up to its ambition of having the members' pensions track inflation and not lose value. The new business model is expected to be implemented from the beginning of 2023.

With this amendment, Danish politicians are confirming ATP's role in Danish society. The purpose of ATP is to provide basic financial security throughout old age in combination with the state-funded old-age pension. Because ATP covers virtually all Danes, was implemented by law and involves contributions independent of income level, ATP is considered part of the basic pension of pillar 1, together with the state-funded old-age

pension. As the individual citizen cannot know what type of working life they will experience, ATP helps to provide basic financial security for everyone. The two remaining pillars – labour market pensions in pillar 2 and individual pensions in pillar 3 – play different roles.

ATP Livslang Pension (Lifelong Pension) is not a conventional labour market pension, but instead a mandatory, statutory social security scheme enacted in 1964 and now amended in 2021.



## Green transitions and regulations

ATP is Denmark's largest institutional investor and a key player in the Danish welfare state. A critical element in ATP's Group strategy is 'sustainability', and with that, there is a clear ambition to ensure that returns for Danish pensions go hand in hand with making the world a greener place. Therefore, ATP has defined a number of ambitious climate targets that are in line with the Paris Agreement's targets and which will make ATP a critical actor in the green transition.

The European Commission's action plan for compliance with the Paris Agreement's targets has, among other things, resulted in EU legislation that is aimed at including the financial sector in the sustainable transition, including the so-called Disclosure Regulation and the Taxonomy Regulation. Overall, the Disclosure Regulation and Taxonomy Regulation are intended to prevent

"greenwashing" (i.e., marketing a financial product as environmentally friendly even though it does not meet basic environmental standards) and to promote investments in sustainable financial products.

The regulations thus impose requirements on financial companies, financial advisor and financial products concerning the publishing of sustainability data. This is to increase transparency about sustainability and to make it easier to compare different financial products such as pension products when it comes to sustainability parameters and thus creating more trust in sustainable financial products and more trust when investing in them.

As a provider of ATP Livslang Pension (Lifelong Pension), ATP is subject to both of these regulations.

# Pension-related risks

## ATP's life expectancy model predicts how long you will live

On the basis of Danish data from its 5.4 million members, ATP can pretty precisely determine the current life expectancy of people in Denmark. However, it is even more important to be able to specify the projected life expectancy in the future. ATP's life expectancy model accomplishes this by using data from Denmark and other comparable OECD countries. Having the most possible data contributes to a stable forecast for life expectancies in the future.

The data is a critical factor in ATP's life expectancy model. Besides Danish data from ATP's members, it also uses international data covering around 340 million residents in 18 countries. The data is updated yearly and consists of data on deaths and people at risk of dying.

The use of data from the 18 OECD countries is reviewed from time to time in order to ensure that the countries are still comparable to and representative for Denmark. Most recently in 2018, an epidemiological approach showed that neither the United States nor Portugal are representative for what life expectancy trends we can expect in Denmark. The data from the United States was removed, as it was found that causes of death such as from murder or traffic accidents were far more prevalent in the United States than Denmark. In addition, suicides and drug-related deaths are increasingly becoming

factors in halting the life expectancy growth for the younger part of the American population. However, data from Portugal showed that while the country had a very low life expectancy in the early part of the 20th century, over the past few years this has moved closer to life expectancies in other European countries. This results in a very high acceleration of life expectancies which is not representative for a country such as Denmark, where developments in life expectancy are far more stable and only growing modestly.

ATP Livslang Pension (Lifelong Pension) is a pension product which, as the name indicates, offers lifelong pension payouts. This makes it important for ATP to know the life expectancies of its members - partly because ATP needs to know how much pension can be offered from the members' paid contributions and partly because ATP needs to set aside enough funds to cover the guarantees that have already been given. The longer the life expectancy, the greater the provisions need to be for covering the guaranteed pensions.

Even if ATP puts a lot of work into making precise estimates for its members' life expectancies, there is always the risk of life expectancies developing differently than the models projected. This is called the "life expectancy risk", and ATP's pension-related risks are overwhelmingly tied to that risk factor.

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**Life expectancy projections are important, as is our guarantee for a lifelong pension. We need to know how much we can guarantee that members will receive and how much we need to set aside to fulfil the guarantees.**

**Camilla Fredsgaard Larsen,  
Chief Actuary at ATP**



## Did you know that

ATP's most recent life expectancy calculation shows that the improvements in life expectancy in the past year have been lower for both men and women. For men, the improvement amounted to 0.2 months and for women 1.2 months, compared to the projections that expected 1.7 months for both genders.

The change in the Danish data, together with developments in international trends, resulted in ATP being able to reduce the guaranteed pensions by DKK 4.8bn. This may seem like a lot, but it amounts to under 1 percent of the guaranteed pensions.

ATP does not include causes of death in the life expectancy calculations, so ATP does not have detailed insights into whether the coronavirus pandemic is the reason for the smaller improvement in life expectancy in Denmark. However, it is not unusual that individual years show deviations between the expected and actual life expectancy improvements. There is still a lot of uncertainty about what impact the coronavirus pandemic will have on Danes' life expectancies in the long run.

In the form on the right, you can view your own projected life expectancy. Look at your age in 2021 and then you can see what age ATP expects you to live to.

Your age	Men	Women
0	92.4	95.0
5	91.9	94.5
10	91.3	94.0
15	90.7	93.4
20	90.0	92.8
25	89.3	92.2
30	88.6	91.6
35	87.9	90.9
40	87.2	90.3
45	86.5	89.6
50	85.8	89.1
55	85.4	88.6
60	85.2	88.3
65	85.5	88.3
70	86.2	88.6
75	87.2	89.3
80	88.8	90.5
85	90.8	92.1
90	93.8	94.7
95	97.6	98.2
100	101.7	102.2



= An attractive place to work



### An attractive place to work

Competent and motivated employees with a high level of professionalism is a precondition for ATP to be able to realise the business targets.

## Meaning is the driving force

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

No matter if one has just started as a trainee or holds a PhD in Quantum Physics and regardless of whether one is in a business area or a group-level function, we all share one thing; ATP's purpose: To ensure basic financial security for Danes. This is what we are all contributing towards.

### There is meaning

ATP's special role in society means that as a company and workplace and together with our employees we have a clear purpose and a great responsibility that both motivates us and comes with obligations. Both in relation to the company and the individual employee, in relation to the decisions that we make, the tasks that we perform and how we act in the society that we are a part of. And finally how, as a workplace, we take responsibility.

### Ambitions

ATP's ambition is to be a professional beacon in the fields of pension, investment and management. This requires that we are able to maintain and develop ATP as an attractive place to work, retaining and attracting competent, responsible and committed employees. For ATP, being an attractive place to work involves a high level of professionalism, rewarding tasks and commu-

nity spirit. We invest in working conditions that promote a high level of commitment and good opportunities for delivering results.

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

### Balance

The same applies to flexibility and space for ambitions and overall quality of life of the individual. We have room for those who strive to really push their career forwards and who seek challenges and more responsibility. However, we also have room for the employee who uses their commitment and professionalism to perform their tasks with quality and efficiency without being wedded to the job 24/7.

As an employer, ATP wishes to create the space and opportunity for employees to pursue their professional ambitions and to create results for the benefit of ATP. This applies regardless of whether you want to try your hand at management or concentrate on becoming a specialist. Or whether you want to be a part of large, complex development projects – perhaps as a young graduate looking for a steep learning curve.

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2021 was a challenging year with physical distancing and widespread remote work. For some people, this was not an optimal environment. Therefore, I am happy to see that our employee satisfaction survey clearly shows that we have been good at managing and learning from the long period of working from home in the first half of the year.

Bård Grande, Chief HR Officer, ATP

### Employee satisfaction

In 2021, we once again had reason to delight in the annual employee satisfaction survey. We believe that happy employees create value, but in light of the many coronavirus-related challenges, the result was anticipated with some apprehension. Despite a lot of working from home, online meetings, lack of contact with colleagues and limited social events, the satisfaction levels of ATP employees remains very high. With a response rate of 93 per cent, the conclusion is

that both the enjoyment of their work and loyalty are high among employees. This year, employees were asked whether the top and closest management tiers managed the challenges associated with the coronavirus pandemic well and whether we have been good at learning from this situation in terms of finding ways to work together, holding meetings and addressing digital competencies. All these questions have been answered with a very clear 'Yes'.



” **Personally, I have seen confirmation of how dependent we are on other people, both in our private lives and professional lives. I’ve seen how we are social creatures that need relationships and communities.**

**Bo Foged, CEO (Chief Executive Officer), ATP**

## Coronavirus has changed us

We want to create frameworks for our employees that allow them to thrive and perform optimally. Currently, we here at ATP are working in slightly different ways than we did before the coronavirus pandemic.

The pandemic has really taught us how to work remotely. On a technical level, this has been possible for quite a while, but it took a crisis for us to really fully seize the opportunities. The office community and physically showing up for work were exchanged for virtual meetings and working from home, but productivity levels remained impressively high and absences due to sickness were very low. All of this revealed that this kind of working has advantages that are worth keeping in the kind of working life that is now beginning to - hopefully - emerge as we get to the other side of the pandemic.

Still, working remotely does have limitations. Many people missed the sense of community and the natural structure of getting to leave home and go to work. Many have also mentioned how difficult it was to start new projects and onboard new employees via Teams, how developing intra-group initiatives is best done when in a physical room together and how strategic meetings require space to visualise things with the people sitting across a table from you. Some tasks can easily be solved in a digital setting, but other tasks are best solved at the office. Therefore, we believe that the best workplace is one that allows for both options.

Even if we can be productive at home, for ATP, it is not sustainable to have a situation where we just exist as isolated satellites in touch with each other over the internet. We have a strong culture at ATP that we all

contribute to maintaining and shaping. This culture is based on values such as community, responsibility and commitment, and we want to ensure that this culture is not lost. Doing so requires that we can look each other in the eye, spend time together and work together. That is the foundation for our approach to flexibility. Based on our experiences to date, ATP is now a workplace that allows people the option of working from home when tasks, deliveries and deadlines allow for this to be a good option. However, our primary workplace remains our locations around Denmark.

For ATP, flexibility is not just about having the right to decide whether you want to work at the office or at home - it is bigger than that and it involves creating a balance. There are obvious advantages of working together in person and there are also advantages to offering flexibility. However, flexibility does the most good and is only sustainable in the long run if both employees and the company are willing to be flexible.

Working from home and virtual meetings are just some of the tools we can use to ensure an attractive workplace with a good working environment that is characterised by flexibility. ATP already offers various schemes that address the different needs of employees and their current individual life situations such as buying an extra week of holiday, working reduced hours, and gradually stepping back as a senior.



### = a helping hand

Fase+ is a department of ATP in which employees need a helping hand to enter the labour market. Participants in the scheme are men and women of a non-western background, vulnerable young people and mentally ill persons who are all associated with the scheme for anything from a few months to 2-3 years. From its gentle beginnings in 2010 until 2021, a total of 262 people have been employed under Fase+, and of all those participants more than 65 per cent have either moved on to employment or education in or outside of ATP.

### = graduates

In 2021, ATP's 8th graduate team was created. This year's team is from seven different universities and their specialisations range from law, engineering science, IT and social science to psychology, communication and management.

### = ambassadors

When you want to call attention yourself, but have no marketing budget, it is good to have committed employees who are happy to act as ambassadors for their place of work. Our internal ambassador network consists of more than 150 colleagues from all parts of the business and they are there to spread ATP's messages to the world. Thanks to them, our stories about results, our responsibility and our good place to work have reached all corners of LinkedIn.

### = taking a job during your sabbatical

It is important to ATP to also have an eye out for young talent and for the responsibility involved in training and developing them. One of the entry points to ATP is the traineeship. In 2021, ATP had a total of 28 trainees employed. Another way is to spend a sabbatical year at ATP. For this purpose, we have set up a special service team as part of our customer service, consisting of employees who have completed their secondary education and need a break before progressing in the education system. In total, we have had 220 people employed on short or long-term contracts this year.

### = career development for women

The results of the "Accelerate" career development programme for women in ATP's Pensions & Investments business are already noticeable - both for the participants and ATP. The programme has contributed to a more equitable gender distribution in the management group where two new female managers have joined and it has also accelerated the process of focusing more on diversity and the need for female role models in the Pensions & Investments business. The evaluation of this programme has been positive across the board, as the participants have strengthened their strategic imprints, more have wanted management responsibilities and, finally, the participants have also been motivated to be more clear about their ambitions.

### = manager and employee development

There has been focus on manager and employee development in 2021. Due to the coronavirus pandemic, ATP's HR department has focused on creating a relevant online program. This has been a success, and during the year a range of online modules have been offered with a focus on feedback, returning to the office, hybrid management and the manager's role in developing their employees. In addition, a number of internal management networks have also been launched in order to allow the managers to have a space for friendly sparring and to ensure that the entire organisation is cohesive.

### = young professionals

In 2021, our Young Professionals network - which is a professional and social community for our young employees - was expanded further. All participants are under the age of 35. In total, there are more than 100 employees who are active in these networks and typically 3-4 events are held per year.

### = senior scheme

In 2021, approximately 300 employees made use of the option of 5 annual days off for seniors paid for by the company. Days off for seniors are reserved for colleagues who have turned 59.

### = working environment certification

The working environment is a top priority for ATP. In 2021, ATP's working environment was re-certified by an external auditor, this time based on a new international standard called ISO. ATP is the only financial company that is ISO-certified and it has been given the Danish Working Environment Authority's crowned smiley as a certificate for making extraordinary efforts to ensure a good working environment. The new standard has a particular focus on ensuring that the senior management team thinks about working environment issues in their strategic work and that the working environment and core tasks go hand in hand.



A wide-angle photograph of a beach. The foreground shows white foam from waves washing onto the sand. The middle ground features several rows of waves breaking, creating white foam. The ocean extends to the horizon under a clear, light blue sky. The text "= Result and outlook" is overlaid on the right side of the image.

= Result and  
outlook

# The result for the year and expectations for 2022

The result for the year before the updating of life expectancies and bonus allocations amounted to DKK 39.1. The reserves - the bonus potential - amounted to DKK 159.5bn at the start of 2021, and the guaranteed pensions amounted to DKK 787.8bn. The net assets thus amounted to DKK 947.3bn.

Based on an ambition of the best possible safeguarding of the long-term real value of pensions, the Supervisory Board has set a long-term performance target for the investment and hedging portfolios after tax. For 2021, seen separately, the target was DKK 14.6 bn, and with profit on investment and hedging activities of DKK 36.9bn, this target for the year was more than achieved. The result is viewed as being very satisfactory.

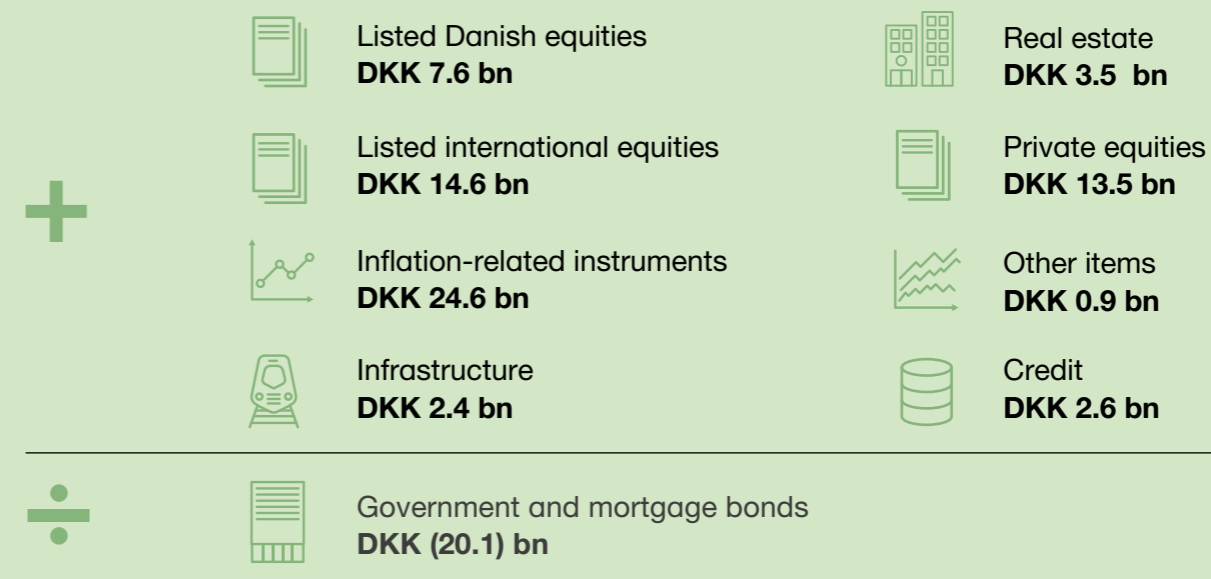
The principal objective of the investment portfolio is to generate a return that will allow, in part, the building of reserves for, e.g., financing increased life expectancy, such that ATP secures pensions for a whole lifetime, and to increase the guaranteed pensions, thereby supporting

their value in real terms. During the year, the investment portfolio was also impacted by rising interest rates at the same time as global equity markets saw increases and inflation began rising. The development was driven by the continuing gradual reopening of the global economy due to vaccine rollouts and supported by expansionary monetary and fiscal policies. The investment portfolio generated a return of DKK 49.6bn which, before tax, amounts to 35.0 percent. In particular, it was the overall holdings of equities that contributed positively to the returns. Investments in inflation-related instruments also contributed with positive returns that evened out the negative returns from government and mortgage bonds. With a balanced and diversified portfolio, it has thus been possible to create very high returns even though ATP's investment strategy is heavily oriented towards interest rates. As a long-term investor, ATP is focused on creating the best possible returns over many years, and during the past five years, the strategy has paid off and generated annual returns averaging 24.0 per cent.

The hedging portfolio is intended to ensure that ATP is always able to live up to its guarantees. The value of the guaranteed pensions fell by DKK 48.6bn, mainly due to rising interest rates. Correspondingly, the hedging portfolio generated negative returns (after tax) of DKK 47.6bn. The value of the hedging portfolio thus fell as the value of the pension guarantees fell, and the hedging worked as intended by following the guarantees. The fact that the total result for hedging activities amounted to DKK (4.5)bn is due to a yield curve break when discounting the guaranteed pensions to net present value. This amounts to less than one per cent of the value of the guaranteed pensions and does not have an impact on ATP's net assets.

DKKm	2021
Investment activity results	41,378
Hedging activity results	(4,466)
<b>Results from Investment and Hedging</b>	<b>36,912</b>
<b>Pension activity results before life expectancy update</b>	<b>2,231</b>
<b>Result from business processing, external parties</b>	<b>0</b>
<b>Result before bonus allowances and life expectancy update</b>	<b>39,143</b>
Life expectancy update	4,796
Bonus addition for the year	(30,391)
<b>Net profit for the year</b>	<b>13,548</b>

## The 2021 investment return of DKK 49.6bn consists of



The updating of the life expectancy development showed that the improvements were not as large as expected, and therefore the long-term forecasts for life expectancy have been adjusted. This means that the pension liabilities have been reduced by DKK 4.8bn and funds have thus been allocated to the investment portfolio to contribute to raising pensions in the future.

ATP's Supervisory Board has also chosen to increase pensions on the basis of an overall assessment of the size of the reserves, and ATP Livslang Pension (Lifelong Pension) will now increase by 4 per cent from 1 January 2022. The increase applies to all of ATP's members, both the current and future pensioners, for the rest of their lives. This is based on several years of historically strong investment results which have grown ATP's financial reserves to the extent that there is now the capacity to spend DKK 30.4bn to increase ATP members' pensions. For an average 66-year-old pensioner, the increase means that their ATP pension will grow by around DKK 14,300 in total for the remainder of their estimated life expectancy. After the write-up of pensions by DKK 30.4bn, an appropriate investment-related room for manoeuvre has still been retained for the purposes of ensuring the value of pensions in real terms in the future.

### Events after the reporting date

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

### Outlook for 2022

ATP's investment strategy is to ensure that ATP generates the best possible returns, while always being able to meet the guarantees issued to its members.

Based on this ambition, the Supervisory Board has also for 2022 maintained the long-term result target for the investment and hedging portfolios after tax. The objective, which for 2022 is DKK 14.9bn, does not have to be met every year.

The objective is based on the principles that members' interests must be a central consideration, that it is the aim to secure the real value of life-long pensions in the long term and that the objective is an ambitious one.

ATP's Supervisory Board does not expect the high investment returns of the past few years to necessarily be repeated in 2022, partly because they have already been well above the historically realised and projected long-term returns.

In 2022, it is expected that work will begin on a comprehensive implementation of the changed business model based on the changes in the amended ATP Act which were adopted by the Danish Parliament in May. This is expected to continue into 2023.

## Corporate governance

ATP's corporate governance framework is set out in the Danish ATP Act. For further information on ATP's corporate governance, including compliance with the Recommendations on Corporate Governance, pay policy and remuneration report, please see

→ [www.atp.dk/en/dokument/remuneration-report-2021](http://www.atp.dk/en/dokument/remuneration-report-2021)

→ [www.atp.dk/en/dokument/recommendations-corporate-governance-2021](http://www.atp.dk/en/dokument/recommendations-corporate-governance-2021)

# ATP's management

## Board of Representatives

### Chairman:

Chairman of the  
Supervisory Board  
Torben M Andersen

### Employer representatives:

#### Appointed by the Confederation of Danish Employers (DA):

CEO (Chief Executive Officer) Jacob Holbraad  
CEO (Chief Executive Officer) Lars Sandahl Sørensen  
CEO (Chief Executive Officer) Brian Mikkelsen  
Professional Board Member Anne Broeng  
Senior Executive Consultant Christina Bjørnbak Hallstein  
Charlotte Vester, Deputy Director  
General Manager Steen Nielsen  
Deputy CEO Pernille Knudsen  
Deputy Director Camilla Khokhar  
General Manager Steen Müntzberg

#### Appointed by the Danish Minister for Finance

Professional Board Member Vibeke Krag

#### Appointed by Danish Regions:

Region Representative Carsten Kissmeyer

#### Appointed by Local Government Denmark (LGDK):

Mayor Ole Vive  
Mayor Peter Rahbæk Juel

#### Appointed by the Danish Employers' Association for the Financial Sector (FA):

CEO (Chief Executive Officer) Nicole Offendal

### Employee representatives:

#### Appointed by Danish Trade Union Confederation, FH:

Chairman Lizette Risgaard  
Deputy Chairman Bente Sorgenfrey  
Chief Economist Jonas Schytz Juul  
CEO (Chief Executive Officer) Jan Walther Andersen  
Trade Union President Ole Wehlast  
Trade Union President Elisa Rimpler  
Trade Union President Claus Jensen  
Trade Union President Per Christensen  
Trade Union President Jørgen Juul Rasmussen  
Trade Union President Benny Andersen  
Trade Union President Grete Christensen  
Chairman Gordon Ørskov Madsen  
Trade Union President Anja C. Jensen

#### Appointed by the Danish Association of Managers and Executives (LH):

CEO (Chief Executive Officer) Bodil Nordestgaard Ismiris

#### Appointed by the Danish Confederation of Professional Associations (Akademikerne):

Chairman Lisbeth Lintz

## Supervisory Board

### Chairman:



Chairman of the  
Super Visory Board  
Torben M. Andersen

### Employer representatives:



CEO  
Jacob Holbraad



CEO  
Lars Sandahl Sørensen



CEO  
Brian Mikkelsen



Professional Board  
Member  
Anne Broeng



Professional Board  
Member  
Vibeke Krag



Mayor  
Peter Rahbæk Juel

### Employee representatives:



Chairman  
Lizette Risgaard



Deputy chairman  
Bente Sorgenfrey



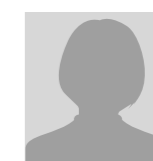
Chief Economist  
Jonas Schytz Juul



CEO  
Jan Walther  
Andersen



Trade Union President  
Anja C. Jensen  
Joined on 31.01.2022.



Chairman  
Lisbeth Lintz  
Joined on 07.02.2022.

### Executive Committee

Torben M. Andersen (Chairman)  
Jacob Holbraad  
Lizette Risgaard

### Audit Committee

Jan Walther Andersen (Chairman)  
Torben M. Andersen  
Jacob Holbraad  
Lizette Risgaard

### Risk Committee

Torben M. Andersen (Chairman)  
Anne Broeng  
Jan Walther Andersen  
Vibeke Krag

## The Group management team



### **Bo Foged, CEO (Chief Executive Officer)**

#### **Group management (left to right)**

Carsten Bodal, Executive Vice President, Udbetaling Danmark – Public Benefits Administration  
Kim Kehlet Johansen, Group CEO for Pension, Risk Management and Compliance, Chief Risk Officer  
Anne Kristine Axelsson, Executive Vice President, Pension & Social Security  
Mikkel Svenstrup, Chief Investment Officer  
Bo Foged, CEO  
Martin Præstegaard, Deputy CEO, Chief Financial Officer

#### **Chief Actuary**

Camilla Fredsgaard Larsen

#### **Chief Audit Executive**

Christoffer Max Jensen

## Statement by the Supervisory and Executive Boards

The Supervisory and Executive Boards have today considered and adopted the annual report of ATP for the financial year 1 January to 31 December 2021.

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

In our opinion, the consolidated financial statements and parent company financial statements

give a true and fair view of the Group's and ATP's assets, liabilities and financial position as of 31 December 2021 and of the financial performance and cash flows of the Group and ATP for the financial year 1 January to 31 December 2021.

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

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

Hillerød, 9 February 2022

**Bo Foged**  
CEO

**Martin Præstegaard**  
Deputy CEO and CFO

**Torben M. Andersen**  
Chairman of the Supervisory Board

**Jacob Holbraad**  
Member of the Supervisory Board

**Lars Sandahl Sørensen**  
Member of the Supervisory Board

**Brian Mikkelsen**  
Member of the Supervisory Board

**Anne Broeng**  
Member of the Supervisory Board

**Vibeke Krag**  
Member of the Supervisory Board

**Peter Rahbæk Juel**  
Member of the Supervisory Board

**Lizette Risgaard**  
Member of the Supervisory Board

**Bente Sorgenfrey**  
Member of the Supervisory Board

**Jonas Schytz Juul**  
Member of the Supervisory Board

**Jan Walther Andersen**  
Member of the Supervisory Board

**Anja C. Jensen**  
Member of the Supervisory Board

**Lisbeth Lintz**  
Member of the Supervisory Board

Adopted by the Board of Representatives.

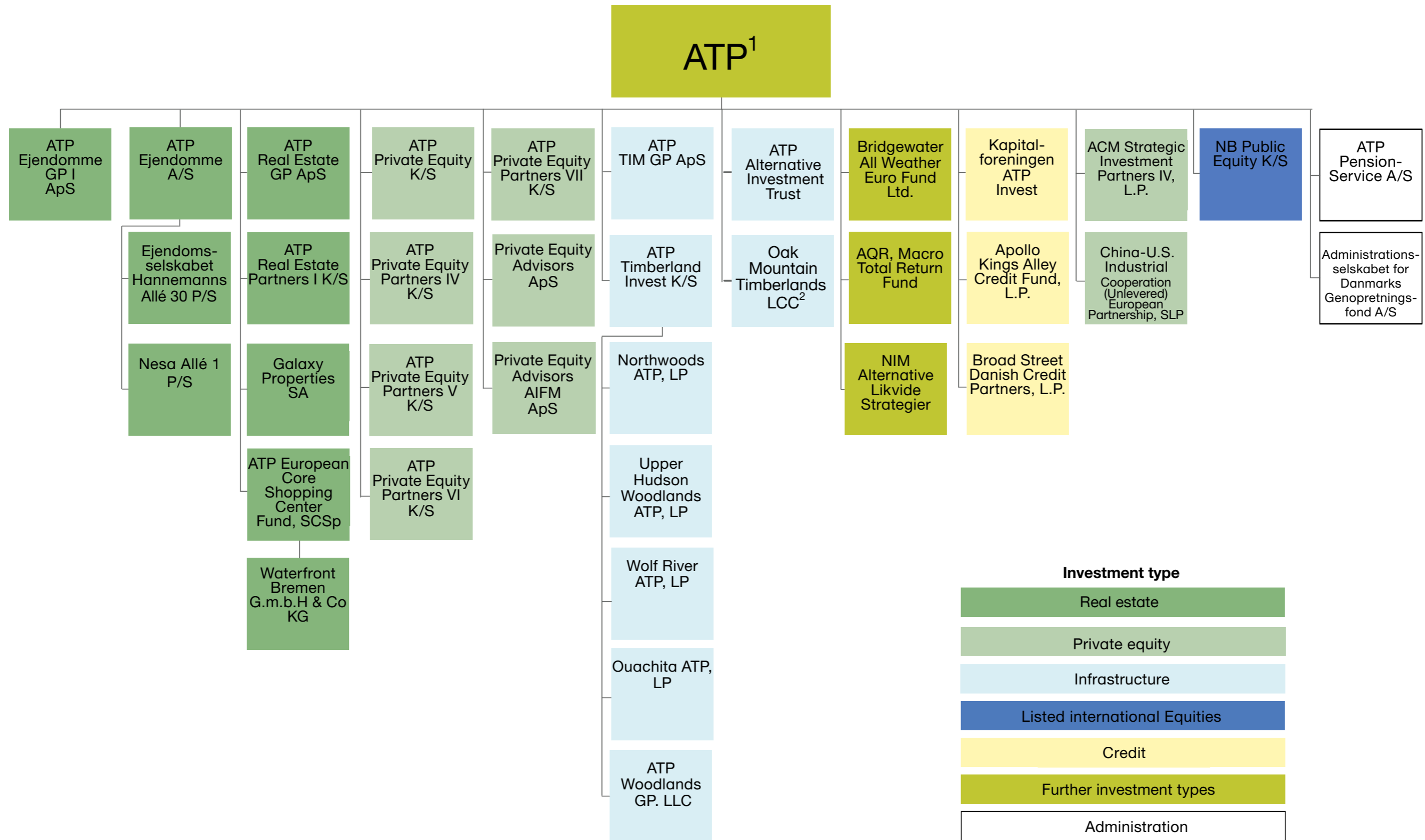
Hillerød, 9 February 2022

**Torben M. Andersen**  
Chairman of the Board of Representatives



# Consolidated financial statements

# Overview of the ATP Group as at 31/12 2021



<sup>1</sup> In addition to the companies listed above, the Group includes two companies which are inactive and general partner companies for the support of limited partner and partnership companies

<sup>2</sup> Oak Mountain Timberlands LCC is the parent company of ten subsidiaries.





## Statement of financial position

DKKm	Note	Group		ATP	
		2021	2020	2021	2020
<b>ASSETS</b>					
	Cash and on-demand deposits	10,364	11,451	8,320	9,717
	Receivables from reverse transactions	49,249	37,165	49,249	37,165
8	Bonds	651,574	657,960	646,227	649,779
6	Listed equity	117,647	127,509	115,116	124,509
7	Unlisted equity investments	119,886	105,212	79,931	67,369
10	Financial derivatives	91,523	151,680	91,559	151,313
8	Loans	5,327	7,288	1,340	2,416
	Loans to group subsidiaries	-	-	3,290	3,166
7	Investments in group subsidiaries	-	-	77,246	77,545
	Intangible assets	1,163	1,178	1,159	1,174
9	Investment properties	30,076	25,906	-	-
	Owner-occupied properties	891	886	831	834
	Operating equipment	5	9	3	6
	Tax receivable on pension savings returns and income tax	303	288	303	288
	Deferred tax on pension savings returns and income tax	1,267	-	1,267	-
	Contributions receivable	3,057	2,887	3,057	2,887
	Other receivables	8,043	11,532	7,556	11,224
	Other prepayments and accrued income	1,039	1,003	985	954
	<b>Total assets</b>	<b>1,091,414</b>	<b>1,141,955</b>	<b>1,087,438</b>	<b>1,140,345</b>
<b>EQUITY AND LIABILITIES</b>					
	Debt from reverse transactions	51,452	45,930	51,250	45,728
10	Financial derivatives	81,831	97,338	81,501	97,859
	Tax payable on pension savings returns and income tax payable	20	14,493	15	14,492
	Deferred corporation tax	373	289	-	-
	Other debts	9,597	23,451	7,326	22,456
	<b>Total liabilities</b>	<b>143,272</b>	<b>181,501</b>	<b>140,093</b>	<b>180,535</b>
	Guaranteed benefits	787,809	813,589	787,809	813,589
	Bonus potential	159,537	146,221	159,537	146,221
12	<b>Total pension provisions</b>	<b>947,346</b>	<b>959,810</b>	<b>947,346</b>	<b>959,810</b>
	Minority interests	796	645	-	-
	<b>Total equity and liabilities</b>	<b>1,091,414</b>	<b>1,141,955</b>	<b>1,087,438</b>	<b>1,140,345</b>

## Cash flow statement

DKKm	Group		ATP		
	2021	2020	2021	2020	
<b>Cash flows from operating activities</b>					
	Contributions and fees received	11,254	10,597	11,254	10,597
	Paid pension benefits	(17,300)	(17,191)	(17,300)	(17,191)
	Pension activity expenses paid	(219)	(210)	(219)	(210)
	Interest income received in respect of pension activities	12	11	12	11
	Interest expenses paid in respect of pension activities	(4)	(3)	(4)	(3)
	Tax paid on pension savings returns in respect of pension activities	(1)	1	(1)	1
	<b>Cash flows from pension activities</b>	<b>(6,259)</b>	<b>(6,798)</b>	<b>(6,259)</b>	<b>(6,798)</b>
	Interest income etc. received in respect of investment and hedging	20,145	20,872	18,363	19,883
	Interest expenses etc. paid in respect of investment and hedging	(1,727)	(3,482)	(1,486)	(3,473)
	Total income from investment properties	2,420	2,010	1,478	974
	Investment activity expenses paid	(900)	(872)	(671)	(562)
	Tax paid on pension savings returns in respect of investment and hedging activities	(14,368)	(19,113)	(14,368)	(19,113)
	<b>Cash flows from investment and hedging activities</b>	<b>5,569</b>	<b>(585)</b>	<b>3,317</b>	<b>(2,290)</b>
	Income received in respect of business processing	2,474	2,670	2,475	2,678
	Business processing expenses paid	(2,347)	(2,411)	(2,356)	(2,437)
	<b>Cash flows from administration activities</b>	<b>127</b>	<b>259</b>	<b>118</b>	<b>241</b>
	Income tax paid	(8)	(13)	-	-
	<b>Cash flows from operating activities</b>	<b>(571)</b>	<b>(7,137)</b>	<b>(2,824)</b>	<b>(8,848)</b>
<b>Cash flows from investing activities</b>					
	Sale of bonds	161,802	128,160	157,037	121,358
	Bond drawings	23,154	23,717	21,230	22,608
	Purchase of bonds	(211,511)	(153,130)	(207,771)	(147,430)
	Sale of equity investments	231,741	126,364	244,531	116,643
	Purchase of equity investments	(196,203)	(164,225)	(202,341)	(150,489)
	Financial derivatives, net	(4,423)	31,435	(3,624)	30,107
	Sale of investment properties	1,957	35	-	-
	Purchase of investment properties	(478)	(765)	-	-
	Sale and purchase, net of intangible assets, property, plant and equipment and owner-occupied properties	(216)	(164)	(214)	(161)
	Lending, repo and reverse transactions with financial institutions	(6,401)	20,440	(7,633)	21,020
	<b>Cash flows from investing activities</b>	<b>(578)</b>	<b>11,867</b>	<b>1,215</b>	<b>13,656</b>
<b>Cash flows from financing activities</b>					
	Loans, capital increase and dividend from/to minority shareholder	(99)	(83)	-	-
	<b>Cash flows from financing activities</b>	<b>(99)</b>	<b>(83)</b>	<b>0</b>	<b>0</b>
	<b>Change in cash and cash equivalents</b>	<b>(1,248)</b>	<b>4,647</b>	<b>(1,609)</b>	<b>4,808</b>
	Foreign currency translation adjustments	161	(216)	212	(112)
	<b>Cash and cash equivalents as of 1 January</b>	<b>11,451</b>	<b>7,020</b>	<b>9,717</b>	<b>5,021</b>
	<b>Cash and cash equivalents as of 31 December</b>	<b>10,364</b>	<b>11,451</b>	<b>8,320</b>	<b>9,717</b>

The cash flow figures cannot be deduced directly from the figures of the consolidated financial statements.

Cashflows from financing activities include a loan from a minority shareholder which as of 31 December 2021 comprised DKK 240 million compared with DKK 248 million as of 31 December 2020. In 2021, DKK 8 million was repaid on the loan.

## Significant financial statement notes

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This section includes the financial statement notes considered by the management to be important to provide an insight into ATP and the ATP Group.

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

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

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90	Note 2 – Hedging activity results
92	Note 3 – Expenses
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96	Note 5 – Market value of ATP's investment portfolio
97	Note 6 – Listed equities
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114	Note 13a – Market risks and currency risks
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## Note 1: Returns on investment activities

In 2021, the investment portfolio returned DKK 49.6 bn before tax and expenses. The total ATP Group investment activity result after expenses and tax was DKK 41.4bn in 2021.

In 2021, the developments in the financial markets were characterised by rising interest rates in both the United States and Europe, rising global equity markets and rising inflation. The development was driven by the continuing gradual reopening of the global economy due to vaccine rollouts and supported by expansionary monetary and fiscal policies. When considering the year as whole, it was particularly the holdings of equities that contributed with large positive returns. Investments in inflation-related instruments also contributed with positive returns that more than cancelled out the negative returns from government and mortgage bonds.

**The overall equity portfolio**, consisting of listed Danish and international equities and private equity, generated a return of DKK 35.7bn.

**Listed Danish equities** produced a return of DKK 7.6bn, and it was particularly the equity investments in A.P. Møller Mærsk A/S and Novo Nordisk A/S contributed positively to the returns - conversely, the equity investments in Ørsted A/S and Vestas Wind Systems A/S generated a negative contribution.

**Listed international equities** generated returns of DKK 14.6bn and the holdings of listed American equities made the greatest contribution to the returns.

**The private equities portfolio** includes ATP Private Equity Partners, which primarily invests in international capital funds, and of other private equity investments. The portfolio of private equities generated a return of DKK 13.5bn.

**Inflation-related instruments**, consisting of commodities-related financial contracts, index-linked bonds

and inflation swaps generated a return of DKK 24.6bn. Investments in commodity-related financial contracts generated returns of DKK 11.2bn. Index-linked bonds and inflation swaps generated returns of DKK 13.4bn.

**Real estate investments** generated a return of DKK 3.6bn. These investments are made through direct ownership of real estate, via joint ventures, or indirectly through investments in unlisted real estate funds. Direct as well as indirect investments are made both in Denmark and abroad.

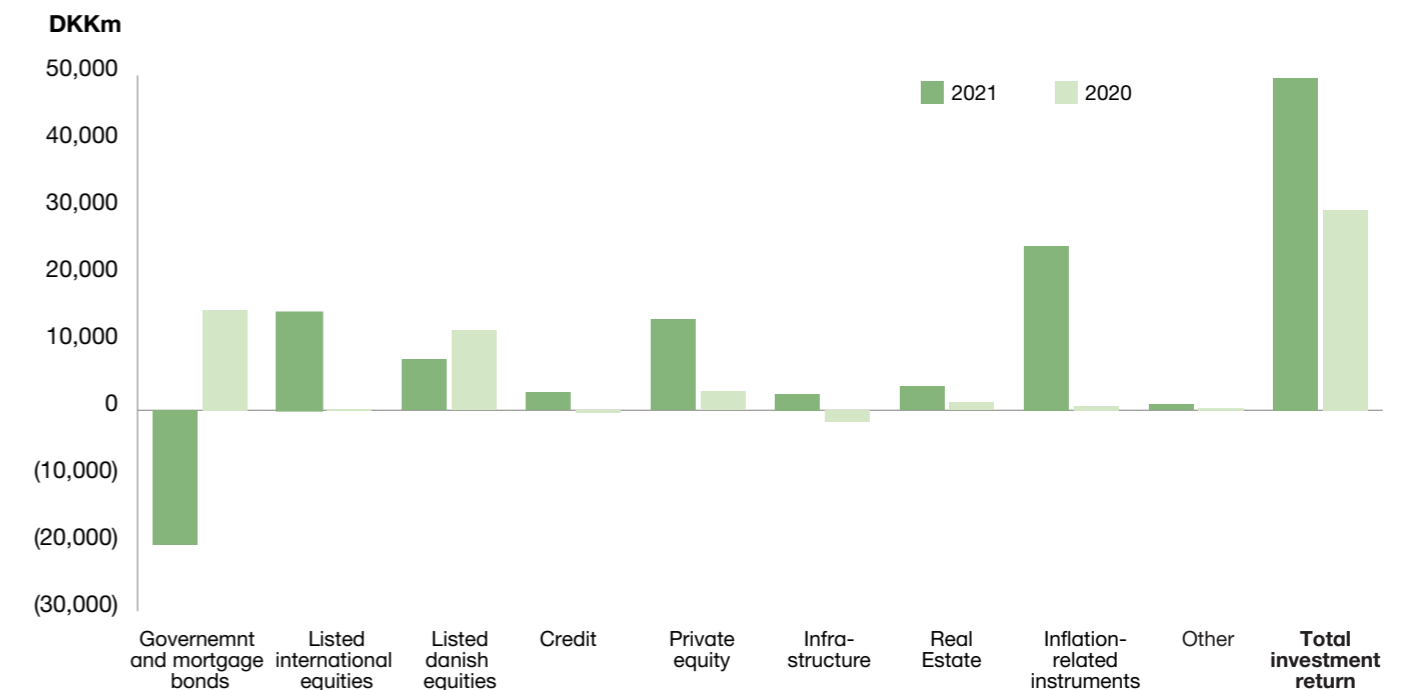
**Investments in credit** generated a return of DKK 2.7bn. These investments consist partly of bonds issued by companies with low credit ratings or developing nations, partly of financial derivatives, which generated a return of DKK 1.0bn. Also included are loans to credit institutions and funds that invest, among other things, in bank loans and corporate loans, which generated a return of DKK 1.6bn.

**The portfolio of infrastructure investments** generated a return of DKK 2.4bn. It includes forestry investments in North America and Australia as well as investments in renewable energy.

**The government and mortgage bonds portfolio**, which also includes exposure via financial derivatives, generated returns of DKK (20.1)bn, primarily due to negative contributions from United States and European bonds as a result of rising interest rates in the United States and Europe.

**Other items** generated returns of DKK 0.9bn. This portfolio mainly consists of externally managed portfolios. The portfolio also includes interest payments to the hedging portfolio.

### Investment return 2021 and 2020



**In 2021, ATP generated an investment return before tax and expenses of DKK 49.6bn, compared with DKK 29.9bn in 2020.**

ATP and the ATP Group recognise and measure all investment assets at fair value with value adjustment in the income statement. Foreign currency investment assets will typically be hedged, and the return presented in the individual categories is the net return. ATP manages on the basis of asset properties rather than the legal structure of the asset. A division of the investment return based on accounts category and measuring method can be seen in Note 14.

Investment assets consist of funds from the bonus potential. In addition, funds not tied up in the hedging portfolio as a result of the use of derivative financial instruments are available for investment in the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with more funds than the bonus potential.

## Note 2: Hedging activity results

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

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

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

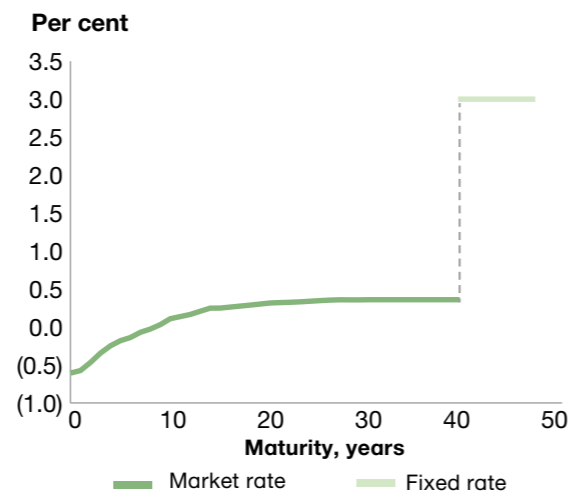
Changes to the calculation rate of interest, yield curve break, and maturity reduction reduced the guaranteed benefits, generating a result of DKK 43.1bn, while the hedging portfolio decreased in value and generated a negative return after tax of DKK (47.6)bn. These movements were primarily due to the rise in interest rates.

Hedging generated total returns of DKK (4.5)bn, equivalent to (0.6) per cent of the guaranteed benefits. The loss was primarily due to the break in the yield curve at 40 years, as the market rate has been significantly below 3 per cent. The yield curve break has generated a loss of DKK (5.5)bn. The yield curve break at 40 years means that guarantees which during the year go from being valued at a fixed rate of 3 per cent to a market rate will generate a loss or a gain for hedging activities depending on whether the market rate is above or below 3 per cent. In 2021, the market based proportion of the interest rate curve was significantly below 3 per cent.

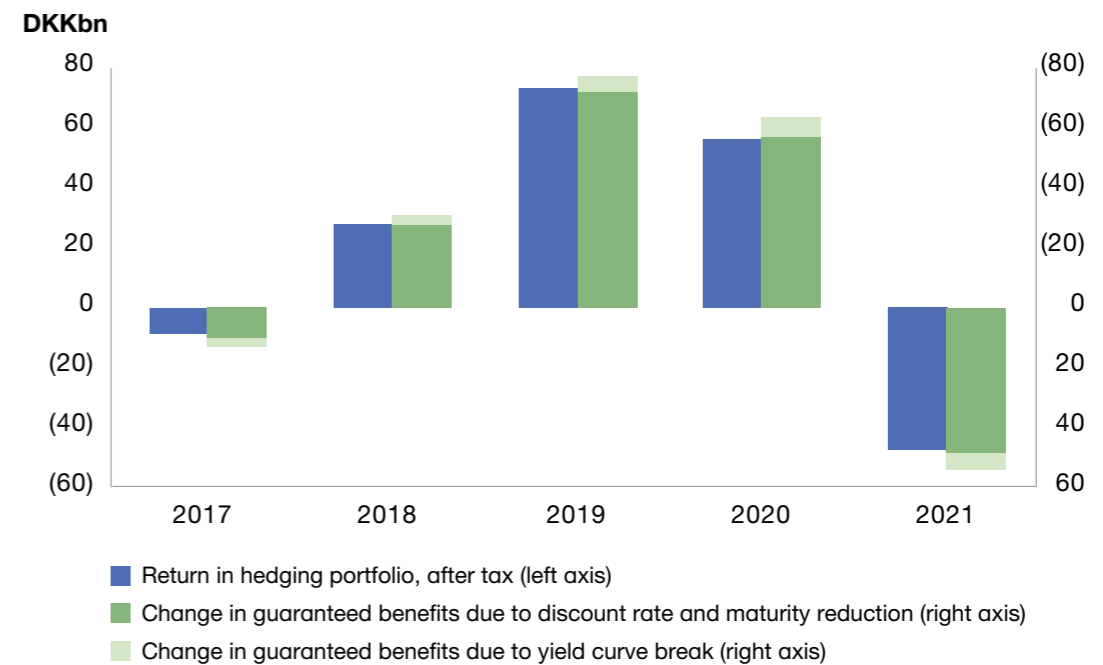
The loss means that funds were transferred from the bonus potential to the guaranteed benefits, but this does not affect ATP's net assets. In case of unchanged market interest rates, the break in the yield curve at 40 years will also result in future hedging activity losses. The losses will, however,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

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

ATP yield curve at year-end 2021



Hedging activity results and change to guaranteed benefits, 2017-2021



**(0.6) per cent**  
result relative to guaranteed benefits

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

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

## Note 3: Expenses

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

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

The investment expenses for the Group amount to DKK 952 million. This is an increase compared to last year of DKK 66 million, or seven per cent. The increase is mainly due to increasing trading costs directly related to a significantly growing investment portfolio. To this is added the indirect investment expenses and indirect performance fees which are deducted from ATP's investment return in private equity investments. The statement of annual expenses in per cent stated in the chapter 'Balanced cost efficiency' in the management's review includes the indirect investment expenses and performance fees.

Expenses related to Pension, which include administration activity expenses for the management of ATP Livslang Pension (Lifelong Pension), was DKK 213 million in 2021, which is at the same level as 2020. Expenses related to Pensions represent 0.02 per cent relative to aggregate assets. The ability to keep pension expenses low is due to a high degree of automation and digitalisation when contacting members and a stable IT support system. In the future, just as in 2021, ATP will be participating in joint public digitalisation initiatives and this is expected to have a marginal impact on costs during the investment phase.

The Group's processing tasks are tasks performed on behalf of the social partners, the Danish state and municipalities and are from the following clients:

These tasks are assigned to ATP on a cost-recovery basis – i.e. without profit to ATP and without any risk of expense.

	2021	2020
Udbetaling Danmark – Public Benefits Administration	1,640	1,562
Pension and Occupational Insurance	816	736
Senior pension	43	0

In 2021, expenses of DKK 2.5bn were paid in relation to business processing for external parties, and these are off-set by similar income.

The increase in administration activity expenses from 2020 to 2021 is a reflection of, among other things, that in 2021 several major tasks were solved due to the corona pandemic, including the establishment and operation of a contact tracing unit for all of Denmark and the payment of the second round of the frozen holiday pay. On top of that, there were also a number of other major tasks in 2021 such as the establishment and operation of the new early retirement pension scheme, the implementation of changes to practice on the pension area, the equal sharing of child and youth benefits between both parents and the ongoing development of a new contemporary case processing system for the Labour Market Insurance.

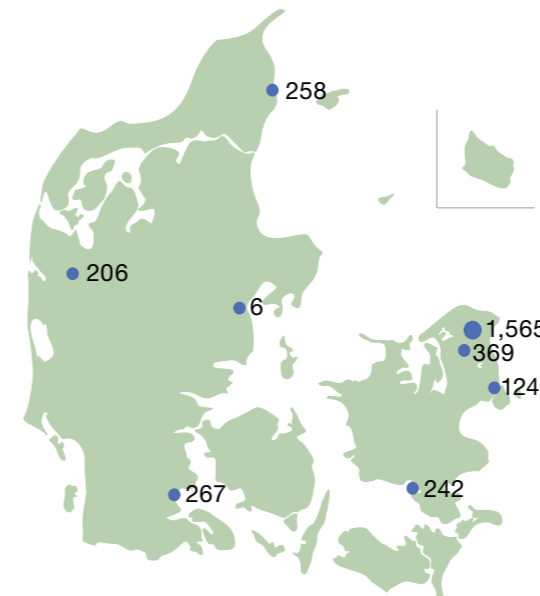
These tasks have been solved concurrently with realising significant efficiency improvements on several of the administered schemes via more automation and the use of new technology.

DKKm	Group		ATP	
	2021	2020	2021	2020
Investment activity expenses	952	886	653	552
Pension activity expenses	213	210	213	210
Administration activity expenses	2,497	2,297	2,498	2,306
<b>Total expenses</b>	<b>3,662</b>	<b>3,393</b>	<b>3,364</b>	<b>3,068</b>
The aforementioned expenses include staff expenses totalling				
Remuneration	1,612	1,469	1,506	1,375
Pension contributions	270	247	252	231
Other social security expenses	27	28	26	27
<b>Total staff expenses</b>	<b>1,909</b>	<b>1,744</b>	<b>1,785</b>	<b>1,633</b>
<b>Average number of full-time staff</b>	<b>3,044</b>	<b>2,729</b>	<b>2,914</b>	<b>2,609</b>

Management remuneration details can be seen in Note 20.

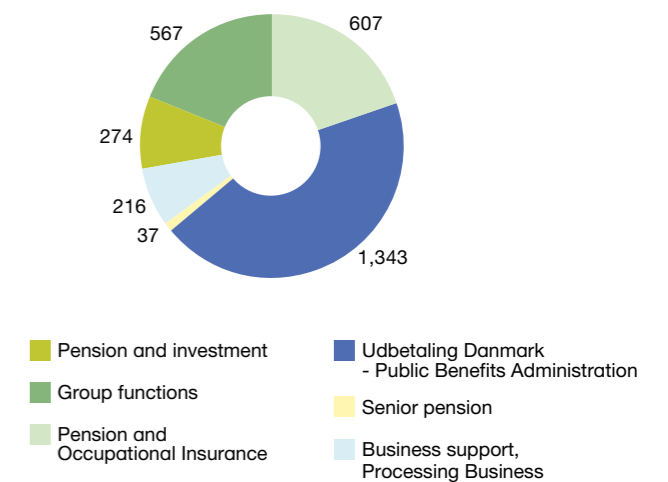
In 2021, ATP and the ATP Group's employees in Denmark were distributed across locations in Vordingborg, Holstebro, Haderslev, Allerød, Frederikshavn, Aarhus, Copenhagen and the head office in Hillerød. In addition, 6 employees were posted in Greenland.

### Full-time staff distributed across Denmark



Note: Average number of full-time employees in 2021 in Denmark.

### Employees by area



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

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

→ [www.atp.dk/en/responsibility-reports-and-publications](http://www.atp.dk/en/responsibility-reports-and-publications)

ATP's responsibility report is not an audit subject.

## Note 4: Tax

ATP pays Danish tax on pension savings investment returns, no matter where in the world the returns are generated. The Danish tax on pension savings returns amounted to DKK (1.4)bn for 2021 and has totalled DKK 38.9bn over the past 5 years. The negative tax on pension savings returns in 2021 is due to the results of hedging activities, where rising interest rates have resulted in negative adjustments to the bond holdings.

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

The calculated tax on pension savings returns is partially reduced by an amount equal to ATP's international tax payments such that double taxation of ATP's returns is minimised. International tax consists primarily of pay-as-you-earn taxes on dividends and interest and tax on American commercial income and is generated by ATP's investments in international

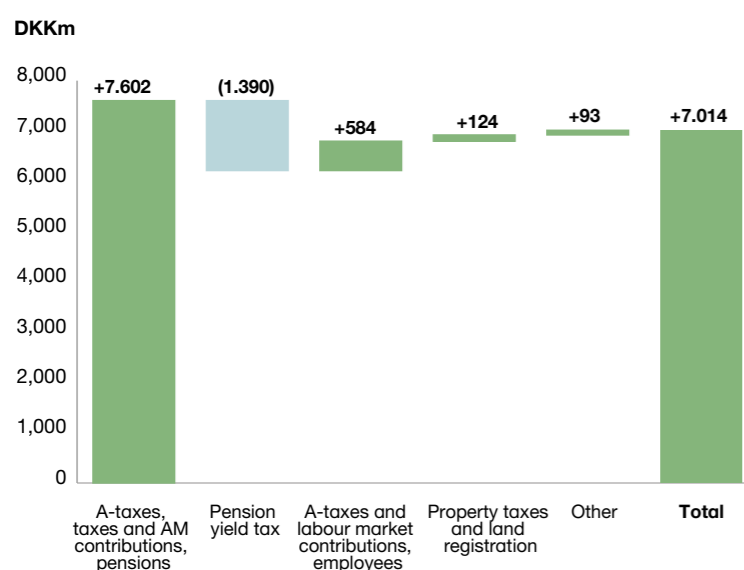
listed equities and unlisted investments in, among other things, properties, infrastructure and capital funds.

ATP is tax exempt relative to the Danish Income Tax Act, but has subsidiaries which are independently liable for tax and which submit returns pursuant to the Corporation Tax Act. As a consequence of its investment activities, ATP also has tax return obligations in Germany, Canada and the USA.

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

In 2021, ATP's total tax contribution was DKK 7.0bn.

### Tax contribution - incurred and withheld Danish taxes



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

ATP's paid taxes in 2021 amounted to DKK 22.7bn. The difference between reserved taxes and taxes actually paid is due to the fact that the pension yield tax is typically settled the year after it is entered into the accounts as an expense.

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

→ [www.atp.dk/en/tax-policy](http://www.atp.dk/en/tax-policy)

ATP's tax policy is not an audit subject.

DKKm	Group		ATP	
	2021	2020	2021	2020
Investment activity results before tax on pension savings returns	48,583	28,975	48,351	28,879
Hedging activity results after tax on pension savings returns				
Change in guaranteed benefits	(56,187)	66,484	(56,187)	66,484
Interest income and interest expenses, pension activities	8	8	8	8
Value adjustments of owner-occupied properties	8	(13)	0	(13)
<b>Total returns subject to pension yield taxes</b>	<b>(7,588)</b>	<b>95,454</b>	<b>(7,828)</b>	<b>95,358</b>
Of which 15.3 per cent	(1,161)	14,604	(1,198)	14,590
Tax effect of different methods of calculating accounting and tax returns on transparent entities etc.	(213)	(104)	(176)	(89)
Tax effect of reduction under section 10 of the Danish Pension Savings Returns Tax Act (reduction regarding life and pension insurance policies, year-end 1982)	8	(103)	8	(103)
Tax on pension savings returns for the year	(1,366)	14,398	(1,366)	14,398
Prior year adjustments	(25)	112	(25)	112
<b>Total tax on pension savings returns</b>	<b>(1,390)</b>	<b>14,509</b>	<b>(1,390)</b>	<b>14,509</b>
Tax on pension savings returns is recognised in the following items:				
Tax on pension savings returns in respect of investment activities	7,205	4,338	7,205	4,338
Tax on pension savings returns in respect of hedging activities	(8,597)	10,172	(8,597)	10,172
Tax on pension savings returns in respect of pension activities	1	1	1	1
Tax on pension savings returns, Other comprehensive income	0	(2)	0	(2)
<b>Total tax on pension savings returns</b>	<b>(1,390)</b>	<b>14,509</b>	<b>(1,390)</b>	<b>14,509</b>

**During the past 10 years, ATP has set aside DKK 75bn for pension yield taxes in the financial statements**

## Note 5: Market value of ATP's investment portfolio

### Market value of ATP's investment portfolio

DKK million	2021	Per cent of the investment portfolio	2020	Per cent of the investment portfolio
Listed Danish equities	42,224	10 per cent	39,258	10 per cent
Listed international equities, including currency hedging	73,986	18 per cent	88,372	23 per cent
Unlisted equity investments	47,690	12 per cent	36,512	9 per cent
Credit investments	35,266	9 per cent	36,268	9 per cent
Government and mortgage bonds	105,229	25 per cent	93,307	24 per cent
Inflation-related instruments	10,551	3 per cent	1,034	0 per cent
Infrastructure investments	42,278	10 per cent	40,540	10 per cent
Real estate	50,156	12 per cent	48,516	12 per cent
Other	6,948	2 per cent	6,956	2 per cent
<b>Total market value</b>	<b>414,328</b>	<b>100 per cent</b>	<b>390,763</b>	<b>100 per cent</b>

Investment assets consist of funds from the bonus potential. In addition, funds not tied up in the hedging portfolio as a result of the use of derivative financial instruments are available for investment in the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with more funds than the bonus potential.

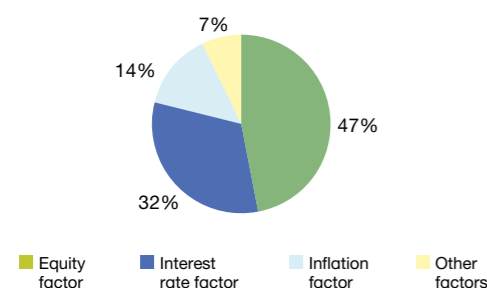
The market value of ATP's investment portfolio is distributed based on the type of investment across the entire investment portfolio rather than by the legal form. For example, in the "Real Estate" category there may be included both physical properties and also capital shares in real estate companies or real estate funds plus derivatives that are used to hedge these investments.

### Factor approach

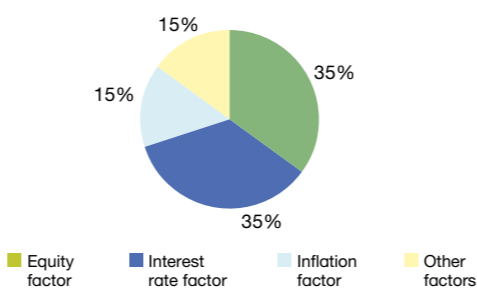
To maintain a robust investment portfolio with a stable

return and the greatest possible independence from cyclical variations, investment decisions are informed by a strategy of risk diversification. ATP splits the risk of each individual investment into four risk factors which can be combined in various ways to achieve an investment portfolio with the desired risk profile. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. By building all asset classes around the same four key factors, a clear framework for our risk understanding is created. A key element in ATP's investment strategy is the Supervisory Board's issuance of a guideline for the long-term composition of the four risk factors in the investment portfolio. This guideline should be seen as a long-term 'anchor' for risk allocation. The actual portfolio allocation may deviate from the guideline at any one time due to market conditions and active investment decisions.

### Risk allocation in the investment portfolio, year-end 2021



### Long-term guideline



For additional information about ATP's investment strategy, please see

→ [www.atp.dk/en/dokument/atps-investment-approach-2021](http://www.atp.dk/en/dokument/atps-investment-approach-2021) ATP's investment strategy is not subject to an audit.

## Note 6: Listed equity

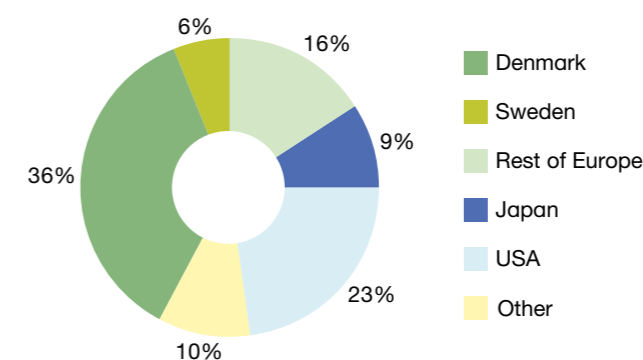
### The ATP Group

DKK million	Danish listed equities		International listed equities		Listed equities, total	
	2021	2020	2021	2020	2021	2020
<b>Fair value as of 1 January</b>	39,258	31,488	88,251	45,839	127,509	77,327
Additions during the year	20,006	12,381	158,975	126,602	178,981	138,983
Disposals during the year	(24,502)	(16,503)	(189,683)	(82,370)	(214,185)	(98,873)
Fair value adjustment for the year	7,462	11,892	17,880	(1,820)	25,342	10,072
<b>Fair value as at 31 December</b>	<b>42,224</b>	<b>39,258</b>	<b>75,423</b>	<b>88,251</b>	<b>117,647</b>	<b>127,509</b>

The listed equity investment holding has decreased by DKK 9.9bn, primarily due to a net decrease of DKK 35.2bn, while the fair value adjustment for the year amounts to DKK 25.3bn. The net decrease is in both Danish and international equities.

The figure below shows the geographical distribution of the ATP Group's listed equities portfolio as of 31 December 2021.

### Distribution by country of listed equities



The five largest holdings of, respectively, Danish and international listed equities amount to:

Danish listed equities	Market value (DKK million)	Number of Danish equities
A.P. Møller - Mærsk.	4,728	11 per cent
Novo Nordisk	3,581	8 per cent
Orsted A/S	3,045	7 per cent
DSV A/S	2,933	7 per cent
Alk-Abello A/S	2,203	5 per cent

International listed equities	Market value (DKK million)	Proportion of international equities
Össur HF (Island)	930	1 per cent
Atlas Copco AB (Sverige)	699	1 per cent
Hexagon AB (Sverige)	528	1 per cent
Nordea Bank Abp (Finland)	489	1 per cent
SEB AB (Sverige)	456	1 per cent

**ATP has contributed to the IPO of Green Hydrogen Systems, where ATP has invested DKK 200 million. Green Hydrogen Systems develops and produces electrolysis solutions for the production of hydrogen based on renewable energy.**



## Note 7: Unlisted equity investments

The ATP Group	Unlisted equity investments, total	
	2021	2020
DKKm		
<b>Fair value as of 1 January</b>	105,212	113,464
Transfer	(3,191)	0
Additions during the year	16,737	22,886
Disposals during the year	(21,637)	(28,424)
Fair value adjustment for the year	22,765	(2,715)
<b>Fair value as at 31 December</b>	<b>119,886</b>	<b>105,212</b>
Of this, investments that can be classified as associated companies or joint ventures	48,751	45,369
Of this, investments that can be classified as equity investments	71,135	59,843
<b>Fair value as at 31 December</b>	<b>119,886</b>	<b>105,212</b>

The private equities portfolio primarily consists of infrastructure investments, property investments, and private equity in the form of capital funds which are primarily invested via ATP Private Equity Partners.

In 2021 there was a net decrease of DKK (4.9)bn. In addition, there have been transfers of DKK (3.2)bn from equity investments to investment real estate, as an investment has turned into an associated company and is thus recognised in the consolidated financial statements with its underlying assets. The year's value adjustment amounts to DKK 22.8bn.

**In 2021, ATP has put DKK 912 million into Northvolt, which aims to set up a factory for the production of lithium batteries. The factory will be run by hydro power, and the vision is to manufacture the most sustainable electric vehicle batteries in the world. ATP's total investment in Northvolt amounts to DKK 1.5bn.**

Equity investments, equity investments in associates and joint ventures, and equity investments in subsidiaries are recognised and measured at fair value with value adjustment via the income statement. Investments in associates and joint ventures are often structured as a combination of share equity investment and loans. Where all investors hold proportionally identical shares of both loans and equity investment and where the company has no significant debt financing, the risk of the loan is considered to be identical to the risk of the equity investment. Such loans are presented as an integral part of the investment in the associate or joint venture – both in internal management reporting and in external reporting. Loans that are an integral part of the investment in the associate or joint venture are recognised and measured at fair value. A combined overview of ATP's equity investments can be found at:

→ [www.atp.dk/en/dokument/specification-listed-equities-2021](http://www.atp.dk/en/dokument/specification-listed-equities-2021)

Group	Fair value 31/12/2021	Fair value 31/12/2020	Fair value hierarchy	Valuation input	Fair value sensitivity to changes in unobservable inputs
	DKKm	DKKm			
<b>Unlisted equity investments</b>					
<b>Trading price for new transactions</b>					
Private Equity	4,421	1,264	2	Trading prices	-
<b>Reported fair value<sup>1</sup></b>					
Infrastructure	19,083	16,323	3	Reporting	-
Credit	5,124	4,620	3	Reporting	-
Private Equity	41,655	31,980	3	Reporting	-
Forestry	1,368	4,418	3	Reporting	-
Real estate	12,414	11,415	3	Reporting	-
Other	2,292	2,390	3	Reporting	-
<b>Multiple analysis</b>					
Private Equity	2,822	2,258	3	Valuation multiples used	If the valuation multiples used are altered by (10) per cent, the fair value is altered by DKK (374) million.
<b>Discounting of expected future cash flows</b>					
Infrastructure	17,481	18,159	3	Applied discount factor	If the discount factor changes +/- 0.5 per cent, the fair value will change by DKK (2,381) million.
<b>Return-based model.</b>					
Real estate	13,142	12,128	3	Applied return rates	The average return requirement is at 4.66 per cent and when there is a change of 25 bp, the market value is changed by DKK 669 million.
<b>Sum of the parts</b>					
Private Equity	85	259	3	Haircuts applied to underlying assets	With an extended haircut of 5 per cent on the underlying assets, the market value will change by DKK (1) million.

<sup>1</sup> Reported fair value based on reporting by relevant companies in which underlying assets and liabilities are valued at fair value. In cases where the reporting date deviates from the Group balance sheet date, adjustments are made for significant changes to the market's observable inputs and the listed prices of the underlying assets.

The calculation above shows sensitivities in case of changes to significant input parameters for the Group. The parent company ATP has invested in equity in group subsidiaries, which consists primarily of investment entities that measure all material assets and liabilities at fair value using the methods described in notes 6-10. Since all material assets and liabilities in the group subsidiaries are recognised at fair value, the fair value of group subsidiaries is equivalent to ATP's share of the reported Net Asset Value.

### Significant accounting estimates

Significant accounting estimates are associated primarily with the measurement of private equity investments when the valuation is based on unobservable inputs.

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

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

## Note 8: Bonds and loans

### The ATP Group

	Bonds		Loans	
	2021	2020	2021	2020
DKKm				
<b>Fair value as of 1 January</b>	657,960	630,329	7,288	8,867
Additions during the year	211,475	153,166	9,559	17,934
Disposals during the year	(181,681)	(146,900)	(11,923)	(18,793)
Fair value adjustment for the year	(36,180)	21,365	403	(720)
<b>Fair value as at 31 December</b>	<b>651,574</b>	<b>657,960</b>	<b>5,327</b>	<b>7,288</b>

Bond holdings decreased by DKK 6.4bn in 2021, which is due to negative value adjustments of DKK 36.1bn, while the net addition amounts to DKK 29.8bn.

The negative value adjustments are due to the increasing interest rates which have characterised 2021.

Of the bond holdings, Danish and German government bonds represent DKK 454.7bn, and these are taken account of in the hedging activities.

The bond holdings also include Danish mortgage bonds, credit bonds and government bonds from the United States amongst others and they are part of the investment portfolio.

At year-end 2021, the portfolio of "Green bonds" amounts to DKK 44.2bn. Green bonds are characterised by the issuer of the bond using the loan to finance climate-friendly investments. A climate-friendly investment might be an investment in e.g. increased energy efficiency, hydropower and wind turbines.

Loans consist of loans to credit institutions and funds which invest in bank loans, property related loans and corporate loans, and are included in the investment portfolio.

The loans issued at the end of 2021 decreased by DKK 2bn compared to the start of the year. The decrease is mainly from corporate lending activities.

### Green bonds

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

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

→ [www.atp.dk/en/responsibility-reports-and-publications](http://www.atp.dk/en/responsibility-reports-and-publications)

ATP's responsibility report is not an audit subject.

Group	Fair value 31/12/2021	Fair value 31/12/2020	Fair value hierarchy	Valuation method used	Applied observable/unobservable inputs	Fair value sensitivity to changes in unobservable inputs
	DKKm	DKKm				
Bonds, listed	624,931	625,671	1	Listed price or price quote.	-	-
Bonds, observable inputs	9,381	14,370	2	Discounting to net present value using a relevant yield curve with the addition of a spread	Yield curves, spreads	-
Bonds, unobservable inputs	17,263	17,919	3	Discounting of expected future cash flows using relevant yield curves and investment-specific credit spread premiums	Investment-specific credit spread premiums used on yield curves	If investment-specific credit spread premiums increase by 1 percentage point, the fair value is altered by DKK (276) million.
Loans, observable inputs	-	67	2	Discounting to net present value using a relevant yield curve with the addition of a spread.	Yield curves, spreads	-
Loans unobservable inputs	5,327	7,222	3	Discounting of expected future cash flows using relevant yield curves and investment-specific credit spread premiums	Applied investment-specific credit spread premiums used on yield curves	If investment-specific credit spread premiums increase by 1 percentage point, the market value is altered by DKK (16) million.

### Significant accounting estimates

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

Bonds for which the valuation is based on observable inputs include bonds for which there have been no updated external prices within

the previous two trading days prior to the balance sheet date. A theoretical price is calculated for such bonds.

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

Supplementary information about the Group's holdings of government bonds and credit bonds can be found at: → [www.atp.dk/en/further-information-2021](http://www.atp.dk/en/further-information-2021)

The supplementary information about holdings of government bonds and credit bonds are not subject to an audit.

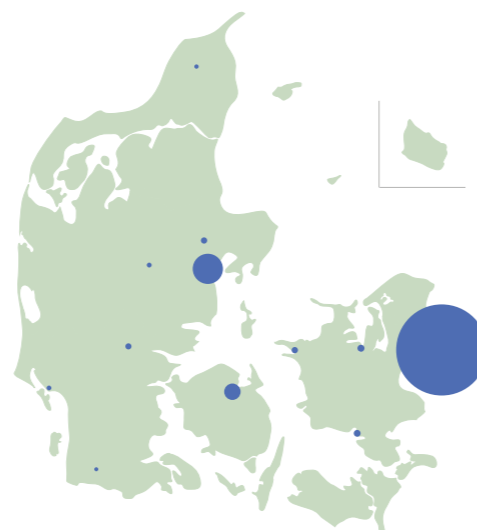
## Note 9: Investment properties

### Real estate investments

Real estate investments in the ATP Group are managed by the subsidiary ATP Ejendomme. Real estate investments consist of 100 per cent owned real estate. Danish investment properties represent DKK 18.9bn and primarily consist of prime location office buildings in Copenhagen and Aarhus. International investment properties represent DKK 5.7bn and are located in Germany and Belgium.

The Group's forestry investment properties consist of forested areas in the eastern United States covering approximately 208,000 hectares. The forestry activities are managed by external managers specialising in forestry.

### Location of properties in Denmark based on market value



	Group	
	2021	2020
Rental income from investment properties	1,378	1,383
Income from forestry investment properties	57	44
The year's value adjustments for investment properties	811	1,285
The year's value adjustments for forestry investment properties	374	(193)
Property management expenses	(267)	(246)
Operating expenses, forestry properties	(52)	(50)
Maintenance expenses in respect of investment properties	(9)	(10)
<b>Total income from investment properties</b>	<b>2,292</b>	<b>2,212</b>

At the statement of financial position date, the Group had entered into leases under which future rental income is expected to be distributed as follows:

Within 1 year	919	1,112
Between 1 and 5 years	2,335	2,884
After 5 years	2,306	2,996
<b>Total rental income</b>	<b>5,560</b>	<b>6,992</b>

	Forestry investment properties		Investment properties	
	2021	2020	2021	2020
<b>Fair value as of 1 January</b>	<b>912</b>	<b>1,074</b>	<b>24,995</b>	<b>22,996</b>
Additions during the year <sup>1</sup>	4,463	0	478	763
Disposals during the year	(288)	(17)	(1,669)	(49)
Fair value adjustment for the year	374	(145)	811	1,285
<b>Fair value as at 31 December</b>	<b>5,460</b>	<b>912</b>	<b>24,616</b>	<b>24,995</b>

<sup>1</sup> Mainly consists of an investment that has transitioned from being an equity investment to an equity investment in an associated company and therefore included in the ATP Group's consolidated financial statements.

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

	Group	
	2021	2020
Weighted average rate of return	4.4 per cent	4.6 per cent
Highest rate of return	8.0 per cent	8.0 per cent
Lowest rate of return	3.6 per cent	3.8 per cent

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

2021									
Country	Location	Type	Number of properties	Number of '000 sq.m.	Market value DKKbn	Weighted avg. rate of return	Sensitivity to change of 25 bps (DKKbn)	Market value per sq.m. (DKK/sq.m.)	
Denmark	Greater Copenhagen Area and Aarhus	Offices	43	505.9	14.0	4.2 per cent	786	27,673	
Denmark	Major cities in Denmark	Retail properties	38	71.1	1.5	5.8 per cent	63	21,097	
Germany	Bremen	Shopping mall	1	94.8	1.5	5.0 per cent	71	15,823	
Belgium	Brussels	Offices	1	121.8	4.2	4.0 per cent	244	34,483	
Denmark	Greater Copenhagen area	Development projects	6	-	0.6	-	-	-	
Denmark	Greater Copenhagen area	Other <sup>1</sup>	8	122.6	2.8	4.7 per cent	143	22,838	

<sup>1</sup> 'Other' consists of 3 hotel properties, 4 car park buildings and 1 residential property.

Overall, for all types of properties, a 0.25 per cent (25 bps) increase in the required rate of return reduces the fair value of the Group's investment properties as of 31 December 2021 by DKK 1,297 million.

2020									
Country	Location	Type	Number of properties	Number of '000 sq.m.	Market value (DKKbn)	Weighted avg. rate of return	Sensitivity to change of 25 bps (DKK million)	Market value per sq.m. (DKK/sq.m.)	
Denmark	Greater Copenhagen Area and Aarhus	Offices	45	534.0	13.7	4.4 per cent	738	25,717	
Denmark	Major cities in Denmark	Retail properties	38	115.7	3.0	5.3 per cent	133	25,651	
Germany	Bremen	Shopping mall	1	94.9	1.6	4.8 per cent	78	16,444	
Belgium	Brussels	Offices	1	121.8	4.0	4.3 per cent	220	32,568	
Denmark	Greater Copenhagen area	Development projects	3	-	1.1	-	-	-	
Denmark	Greater Copenhagen area	Other <sup>1</sup>	6	79.3	1.6	5.0 per cent	75	19,755	

<sup>1</sup> 'Other' consists of 2 hotel properties, 1 car park building and 3 residential properties

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

### Significant accounting estimates

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

The fair value of the Group's investment properties is influenced by several factors, one of the most significant ones being the predefined required rate of

return for the individual properties. The ATP Group uses external estate agents and their valuation of the market level to determine the required rate of return and the market rent. The determination of operating income is affected by estimates to a lesser extent, the determination of vacancy rent being the most significant one.

## Note 10: Financial derivatives

The ATP Group 2021	Market value, net			Market value, gross		Net market value
	Up to and including 1 year	1 year up to and including 5 years	Over 5 years.	Positive market value	Negative market value	
<b>Interest rate contracts</b>						
Swaps	(34)	(928)	7,827	75,274	(68,408)	6,866
Swaptions	(465)	(995)	(4,913)	828	(7,201)	(6,373)
Futures and cross-currency swaps	75	19	0	99	-5	94
<b>Equity contracts</b>						
Index futures, options	414	458	0	955	(83)	872
<b>Inflation contracts</b>						
Swaps	308	258	7,823	9,204	(815)	8,389
<b>Commodity contracts</b>						
Futures	1,284	0	0	1,296	(11)	1,284
<b>Credit contracts</b>						
Credit default swaps	30	1,540	0	2,175	(606)	1,570
<b>Foreign exchange contracts</b>						
Non-deliverable forward	(0)	0	0	49	(49)	0
Total forward contracts:	(3,010)	0	0	1,643	(4,653)	(3,010)
<b>Total financial derivatives</b>	<b>(1,398)</b>	<b>353</b>	<b>10,738</b>	<b>91,523</b>	<b>(81,831)</b>	<b>9,692</b>

The ATP Group uses various financial derivatives such as interest rate swaps, stock index futures, inflation swaps and forward exchange contracts as part of its risk management and hedging and investment strategy. Using financial derivatives makes it possible to increase or reduce the exposure to market risks, currency and interest risks.

The most commonly used financial derivatives are interest rate swaps in Danish kroner and Euro, which are primarily used to hedge interest rate sensitivity related to guaranteed benefits, while forward contracts are used to hedge currency risks related to foreign

currency investments. The investment portfolio uses stock index futures and equity-indexed options to achieve exposure to various stock indices, while sold Credit Default Swaps (CDS) are used to obtain credit exposure.

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

### Interest rate swaps help to hedge pension liabilities.

The ATP Group 2020	Market value, net			Market value, gross		Net market value
	Up to and including 1 year	1 year up to and including 5 years	Over 5 years.	Positive market value	Negative market value	
<b>Interest rate contracts</b>						
Swaps	289	3,296	59,637	138,951	(75,729)	63,222
Swaptions	(1,261)	(1,776)	(9,362)	2,454	(14,853)	(12,399)
Futures and cross-currency swaps	9	5	0	36	(22)	14
<b>Equity contracts</b>						
Index futures, options	376	585	0	1,023	(62)	961
<b>Inflation contracts</b>						
Swaps	(23)	(338)	(1,551)	1,041	(2,953)	(1,912)
<b>Commodity contracts</b>						
Futures	1,217	0	0	1,221	(4)	1,217
<b>Credit contracts</b>						
Credit default swaps	22	1,962	0	2,329	(345)	1,984
<b>Foreign exchange contracts</b>						
Non-deliverable forward	27	0	0	139	(112)	27
Total forward contracts:	1,227	0	0	4,486	(3,259)	1,227
<b>Total financial derivatives</b>	<b>1,883</b>	<b>3,734</b>	<b>48,724</b>	<b>151,680</b>	<b>(97,338)</b>	<b>54,342</b>

#### Significant accounting estimates

Significant accounting estimates in connection with the valuation of derivatives concern the selection of method, including whether an adjustment should be made to the observable inputs that are typically in the form of interest rate curves.

The current benchmark reform, where existing IBOR interest rates are replaced with new risk-free reference rates result in accounting estimates, as there is uncertainty about timing and methods for transitioning to the alternative risk-free interest rates.

The ATP Group	Fair value 31/12/2021	Fair value 31/12/2020	Fair value hierarchy	Valuation method used
	DKKm	DKKm		
Financial derivatives, listed (net)	2,155	2,179	1	Listed price or price quote <sup>2</sup>
Financial derivatives, unlisted (net)	7,537	52,163	2	Linear financial instruments (e.g. interest rate swaps) are valued using inputs of relevant curves, indices, spreads for calculating future payments and discounting using the relevant yield curve. For non-linear financial instruments, volatilities and methods reflecting applicable market practices for the valuation of these instruments are also used. <sup>2</sup>

<sup>2</sup> Financial derivatives are presented net (asset less liability), since disclosures are identical for assets and liabilities apart from amounts..

## Note 11: Fair value

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

### The ATP Group

DKKm	Quoted prices		Observable inputs		Unobservable inputs		Total	
	Level 1		Level 2		Level 3			
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Assets</b>								
Receivables from reverse transactions	-	-	49,249	37,165	-	-	49,249	37,165
Bonds	624,931	625,671	9,381	14,370	17,263	17,919	651,574	657,960
Listed equity	117,647	127,509	-	-	-	-	117,647	127,509
Unlisted equity investments	-	-	4,421	1,264	115,465	103,948	119,886	105,212
Financial derivatives	2,256	2,245	89,267	149,435	-	-	91,523	151,680
Loans	-	-	-	67	5,327	7,222	5,327	7,289
Investment properties	-	-	2,475	-	27,601	25,906	30,076	25,906
<b>Total</b>	<b>744,834</b>	<b>755,425</b>	<b>154,793</b>	<b>202,301</b>	<b>165,656</b>	<b>154,995</b>	<b>1,065,282</b>	<b>1,112,721</b>
<b>Liabilities</b>								
Debt from reverse transactions	-	-	51,452	45,930	-	-	51,452	45,930
Financial derivatives	101	66	81,730	97,272	-	-	81,831	97,338
<b>Total</b>	<b>101</b>	<b>66</b>	<b>133,182</b>	<b>143,202</b>	<b>-</b>	<b>-</b>	<b>133,283</b>	<b>143,269</b>

ATP	Quoted prices		Observable inputs		Unobservable inputs		Total	
	Level 1		Level 2		Level 3			
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Assets</b>								
Receivables from reverse transactions	-	-	49,249	37,165	-	-	49,249	37,165
Bonds	620,814	621,906	8,163	10,049	17,249	17,824	646,227	649,779
Listed equity	115,116	124,509	-	-	-	-	115,116	124,509
Unlisted equity investments	-	-	4,406	1,250	75,524	66,119	79,931	67,369
Financial derivatives	2,190	2,118	89,369	149,195	-	-	91,559	151,313
Loans, including loans to group subsidiaries	-	-	-	-	4,630	5,582	4,630	5,582
Investments in group subsidiaries	-	-	-	-	77,246	77,545	77,246	77,545
<b>Total</b>	<b>738,120</b>	<b>748,533</b>	<b>151,187</b>	<b>197,659</b>	<b>174,649</b>	<b>167,070</b>	<b>1,063,957</b>	<b>1,113,261</b>
<b>Liabilities</b>								
Debt from reverse transactions	-	-	51,250	45,728	-	-	51,250	45,728
Financial derivatives	49	39	81,452	97,820	-	-	81,501	97,859
<b>Total</b>	<b>49</b>	<b>39</b>	<b>132,702</b>	<b>143,547</b>	<b>-</b>	<b>-</b>	<b>132,751</b>	<b>143,586</b>

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

**Level 2** - observable inputs: If a financial instrument is listed on a non-active market, the valuation is based on the most recent transaction price. Adjustments are made for subsequent changes in market conditions. For some financial assets and liabilities, no actual

market exists. The valuation of these assets and liabilities is made using an estimated value based on recent transactions in similar instruments. For financial derivatives, valuation techniques based on market conditions, e.g. yield curves and exchange rates, are widely used.

**Level 3** - Unobservable inputs: The valuation of certain financial assets and liabilities is based substantially on unobservable inputs.

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

The ATP Group	Bonds		Unlisted equity investments		Loans		Investment properties		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Statement of financial position as of 1 January	17,919	16,996	103,948	113,386	7,222	8,793	25,906	24,069	154,995
Realised/unrealised gains or losses for the period, recognised in results	671	160	20,695	(3,311)	403	(713)	1,185	1,139	22,954	(2,725)
Purchase/deposit	1,351	2,806	15,650	22,310	9,559	17,911	478	763	27,038	43,790
Sale/distribution	(2,678)	(2,043)	(21,637)	(28,424)	(11,856)	(18,769)	(1,957)	(65)	(38,128)	(49,301)
Reclassification	-	-	(3,191)	-	-	-	4,463	-	1,272	-
Transfer into level 3	-	-	-	-	-	-	-	-	-	-
Transfer out of level 3	-	-	-	(14)	-	-	(2,475)	-	(2,475)	(14)
<b>Statement of financial position as of 31 December</b>	<b>17,263</b>	<b>17,919</b>	<b>115,465</b>	<b>103,948</b>	<b>5,327</b>	<b>7,222</b>	<b>27,601</b>	<b>25,906</b>	<b>165,656</b>	<b>154,995</b>
Losses/gains on assets held	214	(322)	18,722	(3,374)	259	(448)	1,105	1,140	20,300	(3,004)

ATP	Bonds		Unlisted equity investments		Loans, including loans to group subsidiaries		Investments in group subsidiaries		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Statement of financial position as of 1 January	17,824	16,970	66,118	73,329	5,582	7,616	77,545	79,013	167,069
Realised/unrealised gains or losses for the period, recognised in results	717	135	8,700	(5,589)	159	(393)	12,909	5,375	22,485	(472)
Purchase/deposit	1,299	2,747	9,038	4,231	10,490	15,922	9,868	6,695	30,695	29,595
Sale/distribution	(2,591)	(2,028)	(5,141)	(5,853)	(11,601)	(17,563)	(26,266)	(13,537)	(45,599)	(38,981)
Reclassification	-	-	(3,191)	-	-	-	3,191	-	-	-
Transfer into level 3	-	-	-	-	-	-	-	-	-	-
Transfer out of level 3	-	-	-	-	-	-	-	-	-	-
<b>Statement of financial position as of 31 December</b>	<b>17,249</b>	<b>17,824</b>	<b>75,524</b>	<b>66,118</b>	<b>4,630</b>	<b>5,582</b>	<b>77,246</b>	<b>77,545</b>	<b>174,649</b>	<b>167,070</b>
Losses/gains on assets held	284	(348)	6,745	(6,639)	8	(193)	12,545	5,190	19,582	(1,990)

For a significant portion of the Group's equity investments and a small portion of the Group's bond portfolio, the valuation is based on unobservable inputs. Note 23 describes the individual valuation methods used to determine the fair value of these financial assets.

There were no significant transfers between levels 1 and 2 in 2021 and 2020.

In 2021, an investment property on Nesa Allé 1 moved out of level 3 as a purchase agreement was signed.

Losses and gains related to level 3 are recognised in the income statement in the items 'Investment return' and 'Hedging activities return'.

## Note 12: Pension provisions

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

DKKm	Group	
	2021	2020
Fair value as of 1 January	813,589	759,628
Change in provisions for the year:		
Contributions	11,497	10,744
– of which transferred to bonus potential	(2,299)	(2,149)
Pension benefits	(17,260)	(17,180)
Change due to life expectancy update	(4,796)	(1,130)
Change due to change in discount rate <sup>1</sup>	(45,777)	62,354
Bonus addition for the year	30,391	-
Change due to maturity reduction	2,653	976
Other changes	(188)	346
<b>Total change in provisions for the year</b>	<b>(25,780)</b>	<b>53,961</b>
<b>Fair value as at 31 December</b>	<b>787,809</b>	<b>813,589</b>
<sup>1</sup> Including yield curve break		
<b>Change in guaranteed benefits for the year, broken down by the Group's and ATP's business units:</b>		
<b>Hedging activities:</b>		
Change in guaranteed benefits due to change in calculation rate and maturity reduction (excluding yield curve break)	(48,632)	56,807
Change due to change in calculation rate due to yield curve break	5,508	6,523
<b>Total</b>	<b>(43,124)</b>	<b>63,330</b>
<b>Pension activities:</b>		
Contributions	11,497	10,744
– of which transferred to bonus potential	(2,299)	(2,149)
Pension benefits	(17,260)	(17,180)
Other changes	(188)	346
Change in guaranteed benefits due to contributions and pension benefits	(8,250)	(8,239)
Change due to life expectancy update	(4,796)	(1,130)
<b>Total</b>	<b>(13,046)</b>	<b>(9,369)</b>
<b>Other results:</b>		
Bonus addition for the year	30,391	-
<b>Total</b>	<b>(25,780)</b>	<b>53,961</b>
<b>Sensitivity disclosures:</b>		
Change in provisions at the following changes:		
Interest rate increase of 1 percentage point	(101,649)	(109,550)
Interest rate decrease of 1 percentage point	125,500	136,104
Mortality rate increase of 10 per cent	(25,562)	(26,551)
Mortality rate fall of 10 per cent*	28,258	29,362

\* In 2021, a 10 per cent fall in the mortality rate was equivalent to a 0.8 year increase in life expectancy (2020: 0.8 years).

### Discount rate

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

	2021	2020
Interest rate swaps denominated in Danish kroner	15 per cent	15 per cent
Interest rate swaps denominated in euros	35 per cent	35 per cent
Danish government bonds	25 per cent	25 per cent
German government bonds	25 per cent	25 per cent

For interest rate swaps denominated in Danish kroner (DKK), Danish CIBOR fixings and Danish swap rates are used. For interest rate swaps denominated in euros, EURIBOR fixings, euro forward rate agreements and euro swap rates against EURIBOR and ESTR are used. For Danish government bonds, yields on Danish government bonds with a term to maturity of more than two months are used. For German government bonds, yields on German government bonds with a term to maturity of more than two months are used. From 40 years, the return requirement of 3 per cent in 2021 replaces EONIA with ESTR, as many 30-year Danish government bonds are included in the estimation of the discount curve.

The table below shows selected points on the zero-coupon yield curve in 2021 and 2020.

Yield curve points	2021	2020
1 year	(0.56 per cent)	(0.53 per cent)
5	(0.18 per cent)	(0.53 per cent)
10	(0.11 per cent)	(0.36 per cent)
15	0.25 per cent	(0.19 per cent)
20	(0.32 per cent)	(0.11 per cent)
30	0.36 per cent	(0.09 per cent)
Inflation	3.4 per cent	0.4 per cent

The ATP Group's pension provisions, calculated using the discount rates applied by ATP and EIOPA at year-end 2021, are available on ATP's website ([www.atp.dk/resultater-og-rapporter-atp-koncernen](http://www.atp.dk/resultater-og-rapporter-atp-koncernen))

### Life expectancy

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

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

The discount rate is calculated in accordance with the provision basis reported to the Danish Financial Supervisory Authority, based on the zero coupon yield curve at the statement of financial position date, reflecting the term of the guaranteed benefits. The interest rate thus calculated is reduced by the tax rate

in accordance with the Danish Pension Returns Tax Act, currently 15.3 per cent.

The guaranteed rate of return on new ATP payments is determined for 15 years at a time, valid from 1 January 2015 onwards. So far, the return has been fixed for life at the time of the contribution payment. The adjustment applies only to members born in 1964 or later. The pension guarantees issued before 2015 are not affected. At the end of each 15-year guarantee period, a new rate is fixed for the next 15-year period, based on the current market rate. This practice continues until the individual member is less than 15 years from retirement. At this point, a guaranteed return is fixed to apply for the rest of the member's life.

## Note 12: Pension provisions, continued

### Bonus potential

2021 Group			
DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as of 01 December	17	146,203	146,221
Net profit for the year	-	13,308	13,308
<b>Other comprehensive income:</b>			
Value adjustments of owner-occupied properties	8	-	8
Tax on pension savings returns regarding value adjustments for owner-occupied properties	-	0	0
<b>Total other comprehensive income</b>	<b>8</b>	<b>0</b>	<b>8</b>
<b>Comprehensive income for the year</b>	<b>8</b>	<b>13,308</b>	<b>13,316</b>
<b>Bonus potential as of 31 December</b>	<b>25</b>	<b>159,511</b>	<b>159,537</b>
Under ATP's bonus allocation principles, the bonus potential may be divided into one portion that may be used to increase the guaranteed benefits and one portion that must be retained as an unallocated bonus.			
Bonus potential that could be used to increase guaranteed benefits			0
Bonus potential that must be retained as unallocated bonus			159,537
<b>Total</b>			<b>159,537</b>

### 2020 Group

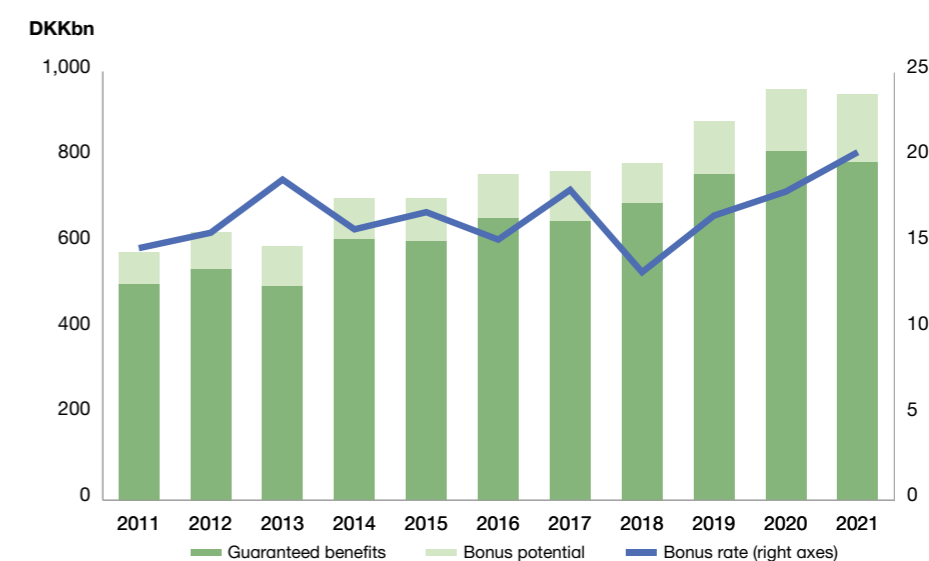
DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as of 01 December	28	125,952	125,980
Net profit for the year	-	20,249	20,249
<b>Other comprehensive income:</b>			
Value adjustments of owner-occupied properties	(10)	-	(10)
Tax on pension savings returns regarding value adjustments for owner-occupied properties	0	2	2
<b>Total other comprehensive income</b>	<b>(10)</b>	<b>2</b>	<b>(8)</b>
<b>Comprehensive income for the year</b>	<b>(10)</b>	<b>20,251</b>	<b>20,241</b>
<b>Bonus potential as of 31 December</b>	<b>17</b>	<b>146,203</b>	<b>146,221</b>
Bonus potential that could be used to increase guaranteed benefits			980
Bonus potential that must be retained as unallocated bonus			145,241
<b>Total</b>			<b>146,221</b>

With the exception of the distribution between Retained earnings and Revaluation reserve, the bonus potential is identical for ATP and the Group. The Revaluation reserve of ATP is DKK 25 million less than in the consolidated financial statements, and Retained earnings is correspondingly larger.

The bonus potential as a proportion of the value of ATP's guaranteed pensions is called the bonus rate. Developing and maintaining the bonus rate is very important for ATP's future ability to generate returns and thereby delivering future bonus. The bonus potential has been increased by DKK 85.4bn in the last 10

years, amounting to an increase of 115 per cent. In the same period, the bonus rate has only grown by 38 per cent, which is due to the falling interest rates over the period that have increased the value of the guaranteed benefits by just over DKK 280bn.

### Development in the bonus potential and the guaranteed benefits 2011-2021



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

#### Bonus policy

The framework for ATP's bonus policy is defined in section 18(3) of the Danish Executive Order on Supplemental Labour Market Pension (*Bekendtgørelse af lov om Arbejdsmarkedets Tillægspension*), stipulating that the aim is to pursue a long-term bonus policy to ensure that the real value of pensions is preserved. In 2017, ATP changed its bonus policy to the effect that the annual bonus decision is made on the basis of an overall

assessment of a number of aspects based on the bonus rate. The bonus rate is defined as bonus potential relative to guaranteed benefits.

Based on the bonus rate and an overall assessment of the investment result, inflation and the effect of an updated life expectancy projection, ATP's Supervisory Board has decided to increase the guaranteed benefits by 4 per cent, which is DKK 30.4bn.

Read more about ATP's pension product:  
[www.atp.dk/en/further-information-2021](http://www.atp.dk/en/further-information-2021)

(see the section 'Facts about ATP Livslang Pension (Lifelong Pension)

Facts about ATP Livslang Pension (Lifelong Pension) is not subject to an audit.

## Note 13: Risk management

### ATP's overall risks

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

ATP's Supervisory Board has defined a risk budget, which is the upper limit for the risk consumption. The risk budget for 2021 is defined as 50 per cent of the bonus potential and therefore changes dynamically in line with the bonus potential.

At the end of 2021, ATP's bonus potential was DKK 159.5 bn, meaning that the risk budget was DKK 79.8 bn.

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

### Market risk

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

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

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

### Counterparty risks

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

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

### Longevity risk

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

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

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

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

The Danish FSA's life expectancy preconditions are a benchmark for current observed life expectancy, based

on information from a number of Danish life insurance companies and broad-spectrum pension funds with a total of 3.0 million customers, as well as a benchmark for life expectancy improvements based on population data from all of Denmark. ATP's model is based partly on information about its 5.4 million members and partly on information about approx. 340 million inhabitants in 18 OECD countries. This means that different data are used when modelling life expectancy preconditions, just as the models themselves differ.

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

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

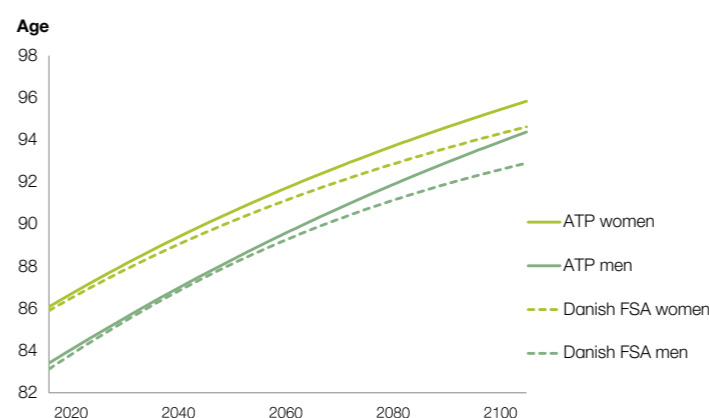
### Liquidity risk

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

### Currency exposure

ATP's investments are usually hedged against currency fluctuations in Danish kroner and euros. Thus, the exposure to currencies other than Danish kroner and Euros is limited. In light of the high degree of confidence in Denmark's fixed price policy, ATP tolerates a significant exposure to the euro.

### Expected future increases in life expectancy





## Note 13a: Market risks and currency risks

### Market risks associated with the investment portfolio

ATP's market risk primarily consists of market risks associated with the investment portfolio. The investment portfolio is managed with the aim of generating stable returns that are as independent of business cycle developments as possible. Therefore, the investment portfolio is put together based on a strategy of risk diversification based on four fundamental factors: The Equity factor, Interest rate factor, Inflation factor, and Other factors. The risk associated with each investment is allocated to the

four factors based on the types of risk to which the investment is exposed.

ATP's risk management provides a framework for the allocation of risk across the four risk factors with a view to ensuring appropriate diversification of ATP's investments. Risk allocation has been determined as each risk factor's share of the sum of risk for the four risk factors. ATP's Supervisory Board has set a long-term guideline and upper and lower limits for each risk factor's share of the risk in the investment portfolio.

### Investment portfolio risk broken down by factors

	Expected Shortfall in DKKm		Relative risk allocation (per cent)		Long-term guideline
	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	
Equity factor	53,094	48,587	46.8	43.7	35.0
Interest rate factor	36,482	39,237	32.2	35.3	35.0
Inflation factor	15,691	15,595	13.8	14.0	15.0
Other factors	8,091	7,715	7.1	6.9	15.0

At the end of 2021, the distribution in Equity factor was over the long-term guideline, and the Other factor was particularly under the guideline. However, the distributions are within the upper and lower bounds that the Supervisory Board has specified for the risk distribution.

### Market risks associated with the hedging portfolio and the guaranteed pensions

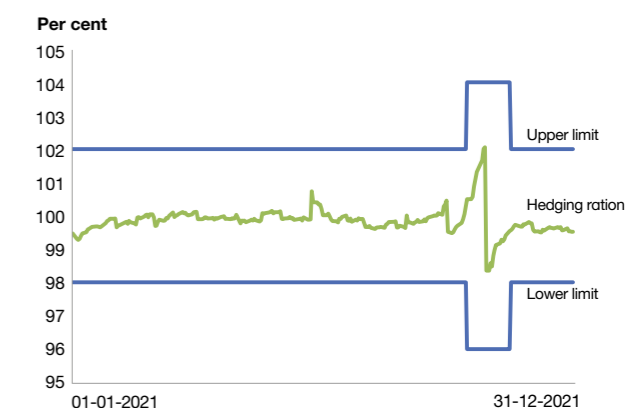
Market risks in the hedging portfolio and the guaranteed benefits consist mainly of interest rate risks. The hedging ratio indicates the ability of the hedging portfolio to hedge the

interest rate sensitivity of the guaranteed benefits. ATP aims to ensure that the hedging ratio, measured by DKK duration after tax, remains in a narrow range of about 100 per cent. Accordingly, market risks associated with the hedging portfolio are limited.

#### DKK duration and hedging ratio, end of 2021

	As at 31.12.2021	As at 31.12.2020
Guaranteed benefits' DKK duration after tax, DKKm	(113,748)	(122,955)
Hedging portfolio's DKK duration after tax, DKKm	113,202	122,296
Hedging ratio in per cent	99.5	99.5

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



As shown in the figure above, the hedging ratio up to October 2021 was close to 100 per cent. In order to address the increase in the duration of the guaranteed benefits due to the bonus distribution, the duration of hedging activities was increased in the period up to the bonus distribution. Therefore, the hedging ratio increased before the transfer of funds from the

bonus potential to the guaranteed benefits and then decreased again due to the bonus distribution. The hedging framework was, however, expanded from 98-102 per cent to 96-104 per cent from mid-October to mid-November in order to address fluctuations resulting from the bonus distribution.

### Currency risks

ATP's currency risks are, as a general rule, hedged in DKK and euros. However, a limit applies for the

currency exposure to other currencies, as it may be inexpedient to hedge some currencies. As a general rule, emerging market currency exposure is not hedged.

ATP's currency exposure as of 31 December 2021	Currency exposure in DKKbn	Currency hedging in DKKbn	Currency exposure including currency hedging	Per cent of financial instruments measured at fair value
<i>Currency</i>				
EUR	281.9	(46.3)	235.6	25.1
USD	79.5	(70.0)	9.5	1.0
Total other currencies	88.3	(95.0)	(6.7)	(0.7)

ATP's currency exposure as of 31 December 2020	Currency exposure in DKKbn	Currency hedging in DKKbn	Currency exposure including currency hedging	Per cent of financial instruments measured at fair value
<i>Currency</i>				
EUR	290.1	(20.3)	269.8	27.9
USD	73.4	(79.0)	(5.6)	-0.6
Total other currencies	92.1	(88.0)	4.1	0.4

## Note 13b: Credit risks

### Credit and counterparty risks

As a part of ATP's investment strategy, ATP actively assumes credit risks in the investment portfolio. The Group's credit risks relate primarily to these actual credit investments. Credit investments comprise investments in corporate bonds, emerging market government bonds, credit funds, loans, etc. In addition, the Group has a number of business-related credit risks (counterparty risks), including receivables, cash and cash equivalents and unlisted financial derivatives with a positive fair value.

### Collateral

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

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

DKKm	Group		ATP	
	2021	2020	2021	2020
<b>Assets provided as collateral:</b>				
Bonds	75,693	66,987	75,693	66,987
Loans	392	832	392	766
Cash and cash equivalents	1,212	2,155	1,212	1,918
<b>Total assets provided as collateral</b>	<b>77,297</b>	<b>69,974</b>	<b>77,297</b>	<b>69,671</b>
<b>Assets received as collateral:</b>				
Bonds	66,277	59,962	66,277	59,832
Cash and cash equivalents	45	164	-	-
<b>Total assets received as collateral</b>	<b>66,322</b>	<b>60,126</b>	<b>66,277</b>	<b>59,832</b>

Finally, ATP's other portfolios of bonds involve a credit risk. As regards government bonds, excluding emerging markets, the credit risk is assessed as being close to zero, as 99 per cent of this portfolio consisted of German and Danish government bonds at year-end

2021. As regards mortgage bonds, bonds issued by international organisations (supranationals) and bonds issued by publicly guaranteed authorities (agencies), the credit risk is assessed as being moderate.

### Market value as of 31 December

DKKbn	2021	2020
Credit investments	38	38
Mortgage bonds	125	124
Government bonds excluding emerging markets	460	484
Bonds issued by supranationals or agencies	39	24
Unlisted financial derivatives, net (before provision of collateral)	(1)	34
Unlisted financial derivatives, net (after provision of collateral)	0	0
Cash	10	11
Other receivables	11	14

Note: The market value of credit investments includes CDS' with a market value at year-end 2021 of DKK 1.6bn (2020: DKK 2.0bn) and a principal amount at year-end 2021 of DKK 66bn (2020: DKK 77 bn). In addition, at year-end 2021 ATP had guarantees issued of DKK 0.3bn (2020: DKK 0.7bn).

Other receivables mainly consist of unsettled transactions, ATP contributions receivable and rents receivable. Provisions are made for expected losses on ATP contributions receivable and rent receivable based on a simplified provision matrix using a fixed provisions percentage depending on how many days the receivable remains overdue. The provision rate is based on historical data.

## Note 13c: Liquidity risks

Liquidity risks are risks associated with potential non-payment of payment demands or securities. ATP has developed a liquidity risk management model intended to ensure that ATP at all times remains able to comply with its contractual obligations regarding providing either liquidity or security.

This is done by ensuring that liquidity and liquidity requirements both in the short term (5 banking days) and the longer term (1 year) are mutually aligned. Liquidity can be obtained via the sale of assets, but also via the repo market. The net liquidity effect on contribution payments and pension benefits over the year is stable.

### Maturity analysis

In the table below, the Group's financial liabilities are broken down by contractual maturity including interest.

2021 ATP Group	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
DKKm						
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	17,790	27,299	41,609	12,973	4,249	103,921
Gross-settled financial derivatives, payments received	(13,819)	(13,746)	(13,390)	(4,379)	(1,661)	(46,995)
Financial derivatives, settled net	6,130	1,876	5,309	21	43	13,379
<b>Total derivative financial liabilities</b>	<b>10,101</b>	<b>15,429</b>	<b>33,528</b>	<b>8,614</b>	<b>2,632</b>	<b>70,305</b>
<i>Other financial liabilities</i>						
Guaranteed benefits	18,191	97,448	214,444	107,858	444,100	882,041
Debt from reverse transactions	51,544	0	0	0	0	51,544
Income tax and tax on pension savings returns payable	20	0	0	0	0	20
Other debts	7,097	943	1,552	5	0	9,597
<b>Total other financial liabilities</b>	<b>76,852</b>	<b>98,391</b>	<b>215,996</b>	<b>107,863</b>	<b>444,100</b>	<b>943,202</b>
<b>Total</b>	<b>86,953</b>	<b>113,820</b>	<b>249,524</b>	<b>116,478</b>	<b>446,732</b>	<b>1,013,507</b>

### 2020 ATP Group

DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
DKKm						
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	12,132	25,948	36,106	11,155	4,033	89,373
Gross-settled financial derivatives, payments received	(6,777)	(7,248)	(2,700)	(1,486)	(162)	(18,374)
Financial derivatives, settled net	2,875	4,575	11,874	203	83	19,610
<b>Total derivative financial liabilities</b>	<b>8,229</b>	<b>23,274</b>	<b>45,280</b>	<b>9,873</b>	<b>3,954</b>	<b>90,610</b>
<i>Other financial liabilities</i>						
Guaranteed benefits	17,216	91,244	204,375	103,527	445,874	862,236
Debt from reverse transactions	45,989	0	0	0	0	45,989
Income tax and tax on pension savings returns payable	14,493	0	0	0	0	14,493
Other debts	22,214	957	270	9	0	23,450
<b>Total other financial liabilities</b>	<b>99,912</b>	<b>92,201</b>	<b>204,645</b>	<b>103,536</b>	<b>445,874</b>	<b>946,168</b>
<b>Total</b>	<b>108,141</b>	<b>115,475</b>	<b>249,925</b>	<b>113,409</b>	<b>449,828</b>	<b>1,036,778</b>

In addition to the financial liabilities stated, the ATP Group have made a number of investment and loan commitments, see Note 16 'Contingent liabilities'. It is not possible to determine the expected contractual maturity of these contingent liabilities, and it is uncertain whether contingent liabilities will result in a drain on the liquidity of the Group.

## Other financial statement notes

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This section contains Other financial statement notes It includes notes and information that the management believes are less significant in understanding ATP and the ATP Group

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- 120 Note 14 – Financial activities and liabilities and returns divided into categories
  - 122 Note 15 – Interests in other companies
  - 124 Note 16 - Contingent liabilities
  - 125 Note 17 - Benefit payouts
  - 126 Note 18 - Disclosures about offsetting
  - 127 Note 19 - Related party transactions
  - 128 Note 20 – Remuneration for management and auditor fees
  - 129 Note 21 - Five-year summary for ATP
  - 130 Note 22 - Breakdown of ATP's assets and their returns at market value
- 



## Note 14: Financial assets and liabilities and returns

The ATP Group	2021			2020		
	Interest and fee income	Interest expenses	Price adjustments and other returns	Interest and fee income	Interest expenses	Price adjustments and other returns
DKKm						
<b>Investment activities</b>						
Return from listed equities <sup>1</sup>	-	-	25,343	-	-	10,770
Loan commitments, unlisted equity investments <sup>1</sup>	-	-	22,765	-	-	(3,244)
Bonds	1,978	-	(3,981)	2,248	-	901
Loans	420	-	360	573	-	(997)
Loans from hedging activities	28	-	-	-	(389)	-
Financial derivatives	3,455	(1,497)	(1,666)	2,092	(2,808)	18,779
Receivables and debt from repo/reverse transactions	1	0	-	1	(2)	0
<b>Financial assets and liabilities recognised at fair value in the income statement</b>	<b>5,882</b>	<b>(1,497)</b>	<b>42,821</b>	<b>4,914</b>	<b>(3,199)</b>	<b>26,209</b>
Cash and on-demand deposits	4	(29)	148	7	(42)	(201)
<b>Financial assets and liabilities at amortised cost</b>	<b>4</b>	<b>(29)</b>	<b>148</b>	<b>7</b>	<b>(42)</b>	<b>(201)</b>
Return on investment properties	-	-	2,292	-	-	2,212
<b>Total</b>	<b>5,886</b>	<b>(1,526)</b>	<b>45,261</b>	<b>4,922</b>	<b>(3,240)</b>	<b>28,220</b>
<b>Hedging activities</b>	<b>Interest income</b>	<b>Interest expenses</b>	<b>Market value adjustments</b>	<b>Interest income</b>	<b>Interest expenses</b>	<b>Market value adjustments</b>
Bonds	6,854	-	(32,200)	8,152	-	20,463
Loans for investment activities	-	(28)	-	389	-	-
Receivables and debt from repo/reverse transactions	346	(218)	(27)	265	(191)	36
Financial derivatives	4,031	(11)	(34,970)	4,565	(52)	32,880
<b>Financial assets and liabilities recognised at fair value in the income statement</b>	<b>11,230</b>	<b>(256)</b>	<b>(67,197)</b>	<b>13,371</b>	<b>(242)</b>	<b>53,380</b>
Cash and on-demand deposits	1	-	36	5	0	(29)
<b>Financial assets and liabilities at amortised cost</b>	<b>1</b>	<b>-</b>	<b>36</b>	<b>5</b>	<b>0</b>	<b>(29)</b>
<b>Total</b>	<b>11,231</b>	<b>(256)</b>	<b>(67,162)</b>	<b>13,376</b>	<b>(242)</b>	<b>53,351</b>
<b>Pension activities</b>	<b>Interest income</b>	<b>Interest expenses</b>	<b>Market value adjustments</b>	<b>Interest income</b>	<b>Interest expenses</b>	<b>Market value adjustments</b>
Other	12	(4)	-	11	(3)	-
<b>Financial assets and liabilities at amortised cost</b>	<b>12</b>	<b>(4)</b>	<b>-</b>	<b>11</b>	<b>(3)</b>	<b>-</b>
<b>Total</b>	<b>12</b>	<b>(4)</b>	<b>-</b>	<b>11</b>	<b>(3)</b>	<b>-</b>

Calculation of financial assets and liabilities and return distributed across accounts categories are only shown for the Group. ATP associates are measured at fair value in the income statement.

<sup>1</sup> Returns on equities include dividends plus unrealised and realised price adjustments. Unlisted equity investments include investments in companies where the ATP Group has ownership stakes of up to 50 per cent.

In the table below, the Group's financial assets and liabilities are broken down by the category in which they are recognised on initial recognition.

The ATP Group	2021	2020
DKKm		
<b>Financial assets:</b>		
Receivables from reverse transactions	49,249	37,165
Bonds	651,574	657,960
Listed equity	117,647	127,509
Unlisted equity investments	119,886	105,212
Financial derivatives	91,523	151,680
Loans	5,327	7,288
<b>Financial assets measured at fair value over the income statement</b>	<b>1,035,206</b>	<b>1,086,815</b>
Contributions receivable	3,057	2,887
Other receivables	8,043	11,532
<b>Financial assets measured at amortised cost</b>	<b>11,100</b>	<b>14,419</b>
<b>Financial liabilities:</b>		
Financial derivatives	81,831	97,338
<b>Financial liabilities measured at fair value over the income statement</b>	<b>81,831</b>	<b>97,338</b>
Debt from reverse transactions	51,452	45,930
<b>Financial liabilities measured at fair value over the income statement (chosen)</b>	<b>51,452</b>	<b>45,930</b>
Other debts	9,597	23,451
<b>Financial liabilities measured at amortised cost:</b>	<b>9,597</b>	<b>23,451</b>

For financial assets and liabilities recognised at amortised cost price, the carrying amount is estimated to equal the fair value.

### Significant accounting estimates

Significant accounting estimates are associated primarily with the measurement of financial assets and liabilities at fair value where the valuation is based on unobservable inputs.

The accounting methods include discounting to net present value of future cash flows and assessment of underlying market conditions. Assumptions of interest rates, risk premiums, volatility, default and prepayments and other information are included in the use of these methods. The fair value of financial assets and liabilities, including financial

derivatives for which no quoted market prices exist, is based on the best information available under the circumstances.

Financial assets where the valuation is based on unobservable inputs include parts of the Group's bonds, equity investments, including investments in associates and joint ventures, investment properties and loans.

Breakdown of the Group's financial assets measured under level 3 in the fair value hierarchy.

	2021		2020	
	DKKm	Per cent	DKKm	Per cent
Bonds	17,263	10 per cent	17,919	12 per cent
Unlisted equity investments	115,465	70 per cent	103,948	67 per cent
Loans	5,327	3 per cent	7,222	5 per cent
Investment properties	27,601	17 per cent	25,906	17 per cent
<b>Total</b>	<b>165,656</b>	<b>100 per cent</b>	<b>154,995</b>	<b>100 per cent</b>

See notes 7, 8 and 9 for more information about valuation principles and sensitivities to change in the most significant unobservable input parameters.

## Note 15: Interests in other companies

The ATP Group continuously invests in unlisted equity investments. Where the Group has a significant, but not controlling, interest, the companies are classified as associates/joint ventures. At [www.atp.dk/en/dokument/specification-listed-equities-2021](http://www.atp.dk/en/dokument/specification-listed-equities-2021) is a complete list of companies which the ATP Group has classified as associates and joint ventures, respectively.

To follow are accounts information for the most significant associates/joint ventures, defined as companies in which the ATP Group's share of the fair value is more than DKK 1bn. Also provided is summary information for non-significant associates/joint ventures. Information provided is as per the most recently published annual report.

2021									
Financial information for significant associates and joint ventures									
DKKm	Current assets	Capital assets	Current payables	Non-current payables	Revenue	Results after tax	Other comprehensive income	Total comprehensive income	Dividends received/distributed
ATPFA K/S	112	5,839	41	19	241	(104)	-	(104)	105
Danske Shoppingcentre P/S	328	13,398	196	205	721	(869)	-	(869)	-
Harbour P/S	12	2,679	6	0	96	377	-	377	37
Kastrup Airports Parent ApS	906	6,684	835	7,846	0	(618)	-	(618)	-
Redexis Gas S.A.	4,882	15,749	4,824	11,412	1,632	(51)	-	(51)	60
Queenspoint S.L.	48	1,063	7	455	21	(291)	-	(291)	50
Hancock Queensland Plantations Pty Ltd.	706	5,405	114	4,885	503	(171)	-	(171)	65
3i Managed Infrastructure Acquisitions LP	14	8,356	2	211	0	1,749	-	1,749	85
Basilisk Holdings Inc. <sup>1</sup>	-	-	-	-	-	-	-	-	-
Colombo Topco Limited	10	3,110	0	-	-	35	-	35	-
Casper TopCo SAS	823	23,823	2,087	15,549	4,631	(1,247)	5	(1,242)	-

<sup>1</sup> Basilisk Holdings Inc. does not publish an annual report.

Financial information for non-significant associates and joint ventures				
	Results from continuing operations	Results after tax from discontinued operations	Other comprehensive income	Total comprehensive income
Associates	(2,079)	-	-	(2,079)
Joint ventures	(659)	-	-	(659)

2020									
Financial information for significant associates and joint ventures									
DKKm	Current assets	Capital assets	Current payables	Non-current payables	Revenue	Results after tax	Other comprehensive income	Total comprehensive income	Dividends received/distributed
ATPFA K/S	78	6,120	25	18	250	373	-	373	84
Danske Shoppingcentre P/S	145	14,545	288	208	791	110	-	373	-
Harbour P/S	2	2,387	1	0	96	67	-	67	37
Kastrup Airports Parent ApS	898	6,884	825	7,229	0	(571)	-	(571)	-
Redexis Gas S.A.	1,109	15,606	908	10,864	1,669	281	-	281	149
Queenspoint S.L.	41	1,685	18	373	20	277	-	277	208
Hancock Queensland Plantations Pty Ltd.	257	5,479	1,337	3,167	1,073	(92)	(2)	(94)	43
3i Managed Infrastructure Acquisitions LP	5	6,448	1	80	0	206	-	206	77
Basilisk Holdings Inc.	-	-	-	-	-	-	-	-	-
Colombo Topco Limited	9	2,749	2	-	-	528	-	528	1
EarlyBird S.C.A.	59	6,865	124	1,663	0	367	-	367	-
Casper TopCo SAS	13	6,036	8	90	7	(28)	-	(28)	-

Basilisk Holdings Inc. does not publish an annual report.

Financial information for non-significant associates and joint ventures				
	Results from continuing operations	Results after tax from discontinued operations	Other comprehensive income	Total comprehensive income
Associates	(84)	-	-	(84)
Joint ventures	501	-	-	501

## Note 16: Contingent liabilities

	Group		ATP	
	2021	2020	2021	2020
<b>Investment and loan commitments</b>				
Investment commitments, equity investments	14,496	13,837	445	657
Investment commitments, property funds	95	1,081	57	1,049
Investment commitments, Danish properties	118	138	0	0
Investment commitments, infrastructure	4,674	4,442	4,674	4,442
Investment commitments, credit funds	1,858	2,937	1,858	2,937
Loan commitments, businesses	4,746	9,335	4,746	9,335
Loan commitments, credit funds	1,230	2,159	1,230	2,159
Investment commitments, group subsidiaries	-	-	20,189	23,814
Loan commitments, group subsidiaries	-	-	870	1,070
<b>Other contingent liabilities</b>				
Rental/leasing liabilities and contractual liabilities related to the acquisition of intangible assets	534	411	533	410
Potential deferred tax related to properties <sup>1</sup>	529	531	-	-
'Letters of credit' to businesses	299	629	299	629

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

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

<sup>1</sup> As of 2001 and under certain conditions, the ATP Group is not subject to income tax on the activities of its subsidiary ATP Ejendomme A/S. If the conditions for tax exemption are not met, provisions are made for both current and deferred tax in the company. In 2021, ATP Ejendomme A/S met the conditions for tax exemption.

The accounting treatment of contingent assets and liabilities is based on an assessment of the expected outcome of the applicable contingency. If it is almost certain that a future economic benefit will flow to the ATP Group, the asset and the related income are recognised. If, on the other hand, it is probable that a future economic benefit will flow from the ATP Group when discharging the liability, the contingency is recognised as a liability.

Where it is not possible to estimate an amount with sufficient certainty, or it is not possible to estimate the outcome of a given matter, information to this effect will be provided. Decisions relating to such matters may generate realised profits or losses in future accounting periods that exceed the amounts recognised in the financial statements.

## Note 17: Paid benefits

DKKm	Group		ATP	
	2021	2020	2021	2020
Personal pension (current)	16,105	16,082	16,105	16,082
Spouse pension (current)	6	7	6	7
Personal pension (capitalised)	81	71	81	71
Spouse pension (capitalised)	909	869	909	869
Child benefits (capitalised)	122	116	122	116
Payments to estates of deceased persons (capitalised)	37	34	37	34
<b>Total benefit benefits</b>	<b>17,260</b>	<b>17,180</b>	<b>17,260</b>	<b>17,180</b>

Benefit payouts comprise personal pensions paid, spouse pensions and capitalised benefits for the year (lump sum). Benefits prepaid are accrued on the statement of financial position and presented under the item 'Other prepayments'.

## Note 18: Disclosures about offsetting

The ATP Group uses a limited degree of offsetting in connection with the settlement of financial assets and liabilities. The ATP Group extensively uses collateral provided to and from counterparties when entering into financial contracts. Net amounts thus indicate the exposure after provision of collateral. There are no disclosures specifically for the ATP Parent Company, as the disclosures in all material respects are identical to those provided for the Group.

2021 Group		Financial liabilities offset in the statement of financial position		Related amounts not offset in the statement of financial position		
Financial assets		Recognised assets, gross	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm				Financial instruments	Financial collateral	Net amounts
Financial derivatives	91,720	(197)	91,523	(70,413)	(20,700)	410
Receivables from credit institutions	49,249	-	49,249	(36,060)	(13,189)	0
<b>Total</b>	<b>140,969</b>	<b>(197)</b>	<b>140,772</b>	<b>(106,473)</b>	<b>(33,889)</b>	<b>410</b>
Financial liabilities		Liabilities recognised, gross	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm				Financial instruments	Financial collateral	Net amounts
Financial derivatives	82,028	(197)	81,831	(70,413)	(11,180)	237
Payables to credit institutions	51,452	-	51,452	(36,261)	(14,900)	290
<b>Total</b>	<b>133,479</b>	<b>(197)</b>	<b>133,282</b>	<b>(106,675)</b>	<b>(26,080)</b>	<b>527</b>
2020 Group		Financial liabilities offset in the statement of financial position		Related amounts not offset in the statement of financial position		
Financial assets		Recognised assets, gross	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm				Financial instruments	Financial collateral	Net amounts
Financial derivatives	151,680	-	151,680	(97,158)	(54,362)	161
Receivables from credit institutions	37,165	-	37,165	(15,628)	(21,537)	-
<b>Total</b>	<b>(188,845)</b>	<b>-</b>	<b>(188,845)</b>	<b>(112,786)</b>	<b>(75,899)</b>	<b>161</b>
Financial liabilities		Liabilities recognised, gross	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm				Financial instruments	Financial collateral	Net amounts
Financial derivatives	97,338	-	97,338	(97,158)	(123)	58
Payables to credit institutions	45,930	-	45,930	(15,628)	(30,222)	81
<b>Total</b>	<b>143,269</b>	<b>-</b>	<b>143,269</b>	<b>(112,785)</b>	<b>(30,345)</b>	<b>138</b>

## Note 19: Related party transactions

### ATP and the ATP Group

Related parties of the ATP Group are associates and joint ventures and independent schemes managed by ATP.

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

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

DKKm2021	Sale	Purchase	Forward contracts, net, and interest on loans	Contributions	Distributions Payables <sup>1</sup>	Receivables/loans <sup>1</sup>	Contingent liabilities	
Group subsidiaries (ATP)	10	27	740	17,719	27,884	37	3,665	21,059
Associates and joint ventures (ATP)	-	-	-	1,243	1,213	-	-	1,249
Associates and joint ventures (Group)	11	-	-	1,243	1,544	-	-	1,254
Independent schemes managed (ATP and Group)	2,489	-	-	-	-	1,081	296	-

In addition to the above transactions that were made as part of the ordinary operations, there have also been the following transactions made between closely related parties:

- ATP has acquired equity investments in associated companies from two subsidiaries worth a total of DKK 5bn
- ATP has sold its ownership stakes in the subsidiaries ATP Private Equity Partners I, II and III to ATP Private Equity Partners K/S for a total of DKK 3bn
- The ATP Group has sold a property for DKK 1.4bn to an associated company

The above transactions were all made on market terms.

### 2020

2020	Sale	Purchase	Forward contracts, net, and interest on loans	Contributions	Distributions Payables <sup>1</sup>	Receivables/loans <sup>1</sup>	Contingent liabilities	
Group subsidiaries (ATP)	9	26	(383)	6,783	13,382	712	3,288	24,884
Associates and joint ventures (ATP)	-	-	-	40	2,079	-	-	3,277
Associates and joint ventures (Group)	13	-	-	40	2,518	6	-	3,284
Independent schemes managed (ATP and Group)	2,297	-	-	-	-	1,108	263	-

<sup>1</sup> Payables and receivables include positive/negative market values of intercompany forward transactions.

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

Forward contracts, net, include net payments in respect of intercompany forward exchange transactions made by ATP on behalf of group subsidiaries. Also included is interest on loans to group subsidiaries totalling DKK 70 million. (2020: DKK 76 million) Loans are unsecured and no write-downs have occurred.

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

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

Management remuneration is stated on note 20 of the remuneration report which can be found at:

[www.atp.dk/en/dokument/remuneration-report-2021](http://www.atp.dk/en/dokument/remuneration-report-2021)

## Note 20: Remuneration for management and auditor fees

DKKm	Group <sup>1,2</sup> 2021		Group <sup>1,2</sup> 2020	
	Total remuneration	Of which pension contribution	Total remuneration	Of which pension contribution
<b>Remuneration paid to CEO:</b>				
<b>Chief Executive Officer (CEO):</b>				
Bo Foged, CEO	7.3	0.9	7.6	0.9
<b>Total CEO</b>	<b>7.3</b>	<b>0.9</b>	<b>7.6</b>	<b>0.9</b>

<sup>1</sup>Remuneration to Bo Foged in 2020 includes 5 weeks' holiday pay.

<sup>2</sup>The CEO's remuneration consists of fixed wage, pension contributions and a range of work-related perks, including company car.

### Remuneration paid to ATP's Supervisory Board and Board of Representatives

DKKm	2021	2020
Total remuneration for the ATP Supervisory Board	2.1	2.1
Total remuneration for ATP's Board of Representatives	0.3	0.2
Total remuneration for ATP's Executive Committee	0.3	0.3
Total remuneration for the ATP Audit Committee	0.3	0.2
Total remuneration paid to the ATP Risk Committee	0.3	0.2
<b>Annual remuneration in DKK '000 for:</b>		
Chairman of the Supervisory Board (total remuneration)	802	785
Member of the Executive Committee	90	88
Member of the Supervisory Board (including remuneration for the Board of Representatives)	135	132
Member of the Board of Representatives	15	14
Chairman of the Audit Committee	88	86
Member of the Audit Committee	67	66
Member of the Risk Committee	67	66

Additional information is available in the remuneration report. For information on pay policy and practice for the Board of Representatives, the Supervisory Board, the Executive Board and other significant risk takers as required under the executive order on pay policy please visit this page: [www.atp.dk/dokument/vederlagsrapport-2021](http://www.atp.dk/dokument/vederlagsrapport-2021)

Audit fees:	Group		ATP	
	2021	2020	2021	2020
Total fees paid to auditors can be broken down as follows:				
Statutory audit	3.4	2.8	2.1	1.6
Other assurance engagements	0.4	0.1	0.1	0.0
Tax and VAT services	0.1	0.5	0.0	0.1
Other services	0.8	1.5	0.5	1.5
<b>Total auditing fees</b>	<b>4.7</b>	<b>4.9</b>	<b>2.7</b>	<b>3.1</b>

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab in 2021 amounted to DKK 1.3 million and relate to declarations and assessment reviews, tax and VAT consultancy and other accounting consultancy work.

## Note 21: Five-year summary for ATP

### Financial highlights (DKKm)

	2021	2020	2019	2018	2017
Contributions	11,497	10,744	10,061	9,871	9,703
Pension benefits	17,260	17,180	17,054	16,878	16,075
Investment return	(7,828)	80,849	107,340	24,108	15,879
Total pension-related operating expenses	213	210	201	197	191
Pension-related profit	13,316	20,252	33,891	(25,589)	17,232
Net profit for the year	13,316	20,251	33,893	(25,585)	17,239
Bonus potential	159,537	146,221	125,980	92,086	117,695
Total pension provisions	947,346	959,810	885,608	785,459	768,576
Total assets	1,087,438	1,140,345	1,024,472	906,735	893,483
Members (in thousands)	5,424	5,347	5,264	5,193	5,118
Pensioners (in thousands)	1,044	1,051	1,057	1,060	1,033
<b>Ratios</b>					
<b>Return ratios<sup>1</sup></b>					
Return before tax on pension savings returns (per cent)	(0.8)	10.8	16.2	3.7	2.5
Return after tax on pension savings returns (per cent)	(0.7)	9.2	13.7	3.2	2.1
<b>Expense ratios</b>					
Expense ratio for provisions	0.03	0.03	0.03	0.03	0.03
Expenses per member (DKK)	40	40	38	38	38
<b>Other ratios</b>					
Bonus rate (per cent)	20.3	18.0	16.6	13.3	18.1

The five-year summary for ATP has been prepared in accordance with the format requirements of the Danish Financial Supervisory Authority in line with the methods of accounting used by other pension providers in Denmark. Consequently, the return on investment and the return ratios etc. deviate from ATP's format, which is IFRS-compliant.

Please refer to the description of ratios in Appendix 3 of ATP's executive order on accounting issued by the Danish FSA (Executive Order on Financial Reporting by the Danish Labour Market Supplementary

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

<sup>1</sup>ATP does not apply the Danish FSA's return ratio. The return ratio tends to over-reflect market value changes in ATP's hedging portfolio, which will not notably affect the pensions promised. As the ratio does not allow for variance in the value creation of the guaranteed products, the ratio does not provide a complete picture of the value creation for ATP's members for the individual year. However, in the very long term, the ratio better reflects the value creation.



## Note 22: Breakdown of ATP's assets and their returns at market value

	Carrying amount as of 2021		Return p.a. before tax on pension savings returns per cent
	DKKm Beginning of year	DKKm End of year	
<b>Land and buildings</b>	<b>43,458</b>	<b>45,802</b>	<b>7.4</b>
Listed equity investments	125,591	116,368	21.6
Unlisted equity investments	90,165	104,851	22.1
<b>Total equity investments</b>	<b>215,757</b>	<b>221,219</b>	<b>21.7</b>
Government and mortgage bonds	631,785	628,618	(4.5)
Index-linked bonds	591	650	5.5
Credit bonds and emerging market bonds	26,093	22,615	3.3
Loans, etc.	7,910	5,142	8.8
<b>Total bonds and loans</b>	<b>666,379</b>	<b>657,025</b>	<b>(4.0)</b>
<b>Other investment assets</b>	<b>13,751</b>	<b>4,135</b>	<b>N/A<sup>1</sup></b>
<b>Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities</b>	<b>40,882</b>	<b>13,670</b>	<b>N/A<sup>1</sup></b>
<b>Total investment assets</b>	<b>980,227</b>	<b>941,851</b>	<b>(0.7)</b>

In 2021, there has been a reclassification of derivatives into the category "Other investment assets" and "Financial derivatives entered into for the purpose of hedging the net change in assets and liabilities" in order to provide a more accurate presentation of the returns in the individual categories. The book values at the start of the year were adjusted to match the change in classification.

<sup>1</sup> The two asset classes 'Other investment assets' and 'Financial derivatives entered into for the purpose of hedging the net change in assets and liabilities' only contain derivatives and their primary purpose is to hedge investment currency risk and guaranteed benefits interest risk respectively. It therefore does not make sense to state separate returns figures for these asset classes.

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



The Northvolt battery factory being constructed in Sweden, December

## Accounting policies and significant estimates and assessments

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

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- 



## Note 23: Accounting policies

The consolidated financial statements and the annual report of ATP for 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension).

When preparing the consolidated financial statements and the parent company financial statements, Management assumes a number of estimates and preconditions which affect the accounting value of assets and liabilities as well as income and expenses. Note 24 details the accounting assessments performed by Management in connection with the application of accounting policies and estimates which are considered material for the preparation of the group financial statements and the parent company financial statements. Accounting estimates for specific items are set out in the individual notes.

With the exception of the implementation of new and revised accounting standards as described in note 25, the accounting policies are unchanged from 2020.

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

### Materiality in presentation

When preparing the consolidated financial statements and the parent company financial statements, Management performs an assessment about their presentation. In this context, it is taken into account that the content of the Group and parent company financial statements is significant to the reader. In the presentation of the Group's and ATP's assets, liabilities, financial position and performance, it is assessed whether it would be beneficial to aggregate less significant amounts.

The assessment of materiality and relevance in the presentation has resulted in changes to the presentation of some notes relative to the annual report for 2020. Note 5 "Market value of ATP's investment portfolio" has been added while the note on equity investments has been split into one note regarding listed equities and another regarding unlisted equity investments. In the note regarding unlisted equity investments, there is included equity investments in associated companies and joint ventures and unlisted equity investments and equity investments in associated companies and joint ventures have been combined in the statement of financial position. The altered presentation

also includes the comparison figures in the relevant notes.

### Consolidation

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

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

A group overview is available on page 80.

### Foreign currency translation:

#### Functional currency and presentation currency

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

#### Conversion of transactions and amounts

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

### Income statement

#### Returns on investment and hedging activities

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

Returns on investment also include income from investment properties.

#### Income from investment properties

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

#### Expenses

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

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

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

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

#### Contributions

Contribution income is recognised as reporting is received.

Contributions include the reported and claimed ATP contributions less labour market contribution and the year's adjustment of amortisation on contributions receivable.

#### Paid benefits

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

#### Other income

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

#### Other expenses

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

#### Tax on pension savings returns

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

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

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

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

#### Corporate income tax

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

### Statement of financial position

#### Financial assets and liabilities

Purchase and sale of financial assets and liabilities are recognised on the trade date.

Financial assets and liabilities are recognised at fair value

## Note 23: Accounting policies, continued

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

### Financial assets

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

- Bonds
- Loans, including loans to group subsidiaries
- Receivables from reverse transactions

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

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

- Listed equity investments and unlisted capital shares, including investments in subsidiaries and associates and joint ventures
- Financial derivatives

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

### Financial liabilities

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

Other financial liabilities are subsequently measured at amortised cost.

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

### Determination of fair value

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

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

#### *Bonds, interest-based investment assets and liabilities*

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

#### *Unlisted equity investments, including investments in subsidiaries and associates and joint ventures*

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

#### *Portfolio funds*

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

#### *Direct equity investments*

Direct private equity investments are measured using one of the following methods: a) multiple analysis where the ratio of the value of comparable listed companies to relevant key figures for these companies is used in the valuation of the company in question; b) if sufficient comparable companies cannot be found, a 'sum-of-the-parts' valuation is performed where each business unit of the company in

question is measured separately; c) for new investments, the acquisition cost is used.

#### *Direct equity investments in portfolio companies*

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

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

#### *Real estate funds*

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

#### *Loans*

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

#### *Receivables and debt from repo/reverse transactions*

Includes repo and reverse transactions, i.e. the purchase/sale of securities where, as part of the agreement, an agreement is concluded regarding selling back/buying back at a later time. In reverse transactions, the securities purchased are not included in the statement of financial position, and the amount paid is recognised as a receivable. In repo transactions, securities sold are still included in the statement of financial position and the amount received is

recognised as a liability. On initial recognition, receivables from and debts from repo and reverse transactions are recognised at fair value and subsequently measured at fair value. Interest received and paid is recognised across the duration of contracts. Valuation of repo activities is based on discounting of expected future cash flows using relevant yield curves.

### Financial assets and liabilities at amortised cost

#### *Other receivables*

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

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

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

#### *Other liabilities*

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

### Financial derivatives

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

Changes in the fair value of financial derivatives are recognised in the income statement as they occur. Financial derivatives with a positive fair value are recognised in the statement of financial position as assets, while financial derivatives with a negative fair value are recognised in the statement of financial position as liabilities. Listed futures for which the margin is calculated on a daily basis are considered to be settled for which reason the market value is recognised at DKK 0.

Other cash and cash equivalents received as part of a

## Note 23: Accounting policies, continued

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

### Investments in group subsidiaries

Equity investments in group subsidiaries are managed and assessed based on fair value in accordance with ATP's risk management and investment strategies. Reporting to the ATP Group Management is also based on this, for which reason ATP has selected the option in IAS 27 to recognise and measure equity investments in group subsidiaries in accordance with the regulations of IFRS 9. Cash-flows from equity investments in group subsidiaries do not consist of payment of principal and interest, meaning that equity investments in group subsidiaries are recognised and measured at fair value with value adjustment via the income statement.

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

### Investments in associates and joint ventures

Associates are entities in which the Group has a significant but not controlling interest. Significant interest is typically achieved through direct or indirect ownership or disposal of more than 20 per cent of the voting rights, but less than 50 per cent. In the assessment of whether the Group has a significant interest, potential voting rights that may be exercised at the statement of financial position date are taken into account. Joint ventures include entities whose activities are jointly controlled by the Group, which is generally the case if the Group holds 50 per cent of the voting rights.

In accordance with IAS 28, ATP and the ATP Group have decided to recognise and measure investments in associates and joint ventures under the provisions of IFRS 9. Cash-flows from equity investments in associates and joint ventures do not consist of payment of principal and interest, and investments in associates and joint ventures are therefore recognised and measured at fair value with value adjustment through the income statement.

Investments in associates and joint ventures are often

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

Equity investments in associated companies and joint ventures are presented under the "Unlisted equity investments" item in the financial statements.

### Investment properties

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

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

The periodisation of rental discounts in the form of rent-free periods, gradual phasing in of market rate rents and other incentive agreements are an integral part of the value of investment properties. The periodisation is adjusted each year via rental income by an amount that is the difference between the year's invoiced rental income and the calculated period-adjusted rental income.

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

### Forestry investment properties

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

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

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

### Owner-occupied properties

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

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

Depreciation of owner-occupied properties is provided on a straight-line basis over the estimated useful economic lives of the assets. The depreciation periods have been determined at 50 years. No depreciation is provided for land.

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

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

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

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

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

### Operating equipment

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

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

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

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

### Intangible assets

#### *Internal development projects*

Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the company can be

## Note 23: Accounting policies, continued

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

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

### **Write-down test**

Intangible assets are evaluated yearly for indications of value impairment.

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

### **Guaranteed benefits**

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

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

Changes related to changes in the market rate and changes in maturity reduction are recognised in hedging activities. Changes related to contribution payments for the

year and pension benefit payouts for the year are recognised in pension activities. Other minor changes are also recognised in pension activities. In addition, changes due to life expectancy update are also recognised in pension activities. The life expectancy update comprises observed and expected future increases in life expectancy. Bonus is not allocated to the Group's business units.

### **Bonus potential**

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

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

### **Cash flow statement**

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

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

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

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

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

## Note 24: Significant accounting estimates and assessments

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

### **Accounting assessments**

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

#### **Measurement of forestry investment properties**

Forestry investment properties consist of biological assets (trees), land and CO<sub>2</sub> quotas. ATP considers forestry investment properties as an aggregate and integrated investment asset, due to the fact that realisation of forestry investment properties usually happens via the sale of the total property including land and CO<sub>2</sub> quotas and only to a small degree takes the form of harvesting and selling of the biological assets. Forestry investment properties are therefore considered an aggregate unit which is recognised at fair value with value adjustments via the income statement and is presented as a part of 'Investment properties'.

#### **DKK is the functional currency of all subsidiaries**

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

#### **ATP's business model**

ATP's business model is to manage and value assets and liabilities based on changes to the fair value in keeping with ATP's risk management strategy. For this reason, guaranteed benefits and associated investment assets are measured at fair value with recognising of value adjustment via the income statement, regardless of the fact that some investment assets in essence satisfy the conditions for measuring at amortised cost price, including bonds, loans and receivables from banks.

#### **Capital assets held for sale**

The ATP Group makes continuous adjustments to the invested capital, in which connection management decisions are continuously made regarding the sale of

assets. This also includes illiquid assets with a longer sale process. The Management may decide, for example, to sell one property rather than investing in other properties which are at a different developmental stage or in another location. ATP considers this to be continuous portfolio management and does not consider the assets as 'assets held for sale' in accordance with IFRS 5.

#### **Measuring associated companies, joint ventures and group subsidiaries at fair value**

Associated companies and joint ventures are measured in the consolidated financial statements and the parent company financial statements at fair value in accordance with IFRS 9 with reference to the special provisions of IAS 28, associated companies, applicable to certain investment companies, including pension companies. Equity investments in group subsidiaries are also measured at fair value in ATP's annual accounts. The Management justifies this policy by these investments being considered equal to other investments in ATP's business model in which assets and liabilities are managed and assessed on the basis of changes to the fair value in accordance with ATP's risk management strategy in accordance with the above description of ATP's business model.

#### **Presentation of loans forming an integral part of investments in equities**

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

#### **The bonus potential**

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

## Note 24: Significant accounting estimates and assessments, continued

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

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

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

### Accounting estimates

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

- Estimates related to determining fair value of equity investments, bonds and loans are described in notes 7 and 8.
- Estimates related to the valuation of the Group's investment properties are described in note 9.
- Estimates related to the valuation of the Group's derivatives are described in note 10.
- Estimates related to valuing guaranteed benefits are primarily concerned with discounting factor and future life expectancy for ATP's members. Note 12 states the primary assumptions applied in connection with valuing guaranteed benefits.

## Note 25: New accounting regulations

Effective from 1 January 2021, the ATP Group and ATP have implemented the following new or revised standards and interpretations:

- Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reform of reference rates (IBOR reform, phase 2)
- Changes to IFRS 16, Leasing due to COVID-19's impact on leasing agreements

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

### Standards and interpretations that have not yet taken effect

#### *IFRS 17, Insurance contracts*

IFRS 17, "Insurance contracts" has been approved for use in the EU and applies to the fiscal year commencing 1 January 2023. The analysis of the effect of the standard on ATP is still on-going, meaning it is not yet possible to quantify the effect. ATP does not expect to implement IFRS17 ahead of time.

In addition, there has also been issued a number of changed standards that are expected to be implemented in 2022 and 2023. None of these standards and interpretations are expected to have a material impact on the financial reporting of the Group and ATP.

## Internal audit statement

### To the Board of Representatives

#### Opinion

We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2021, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement and notes, including the accounting policies for the Group as well as the Parent Company. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position as of 31 December 2021 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2021 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension –available in Danish only).

#### Basis of opinion

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

The audit is planned and executed in such a way that we have assessed the business processes and internal control procedures, including the risk management planned by the management that is directed towards the rendering of accounts and essential business risks.

An audit involves performing audit procedures to obtain audit

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

#### Statement on the Management's review

The management is responsible for the management's review.

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

In connection with our audit of the consolidated financial statements and the parent company financial statements, it is our responsibility to read the management's review and in this connection consider whether it is significantly inconsistent with the consolidated financial statements, the parent company's financial statements or the knowledge we gained during the audit or if there is otherwise found to be significant misinformation.

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

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

Hillerød, 9 February 2022

Christoffer Max Jensen  
Chief Auditor

## Independent auditors' report

### To the Board of Representatives

#### Opinion

We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2021, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement and notes, including the accounting policies for the Group as well as the Parent Company. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position as of 31 December 2021 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2021 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension –available in Danish only).

Our opinion is consistent with our audit statement to the Audit Committee and the Supervisory Board.

#### Basis for opinion

We conducted our audit in accordance with international auditing standards and the additional requirements applicable in Denmark. Our responsibility according to these standards and requirements is described in detail in the section 'Auditors' responsibility for the audit of the consolidated financial statements and parent company financial statements' in the auditors' report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountant's international guidelines for accountant ethics (IESBA Code) and the additional ethical requirements that apply in Denmark, and we have also fulfilled our other ethical obligations pursuant to these requirements and the IESBA Code. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

We were initially selected as auditors for the Danish Labour Market Supplementary Pension Fund on 4 February 2009, and have been re-elected annually by representative vote for a total period of 13 years up to and including fiscal year 2021. We were re-elected on 9 February 2019 following a tender procedure.

#### Key audit elements

Key audit elements are those elements which, in our professional opinion, were most important to our audit of the consolidated financial statements and parent company financial statements for the fiscal year 1 January - 31 December 2021. These elements were processed as a part of our audit of the consolidated statements and parent company financial statements as a whole and the preparing of our opinion regarding this. We do not provide any separate opinion about these elements.

Measuring unlisted investments	
Key element	<p>Unlisted investments account for DKK 165.7bn as of 31 December 2021 (2020: DKK 155.0bn) for the Group.</p> <p>Unlisted investments consist of investment in real estate, capital funds, infrastructure funds, private equity and credit portfolios. Measuring unlisted investments is considered a key element for the audit, as such measurement is affected by management estimates and assumptions regarding future events. It is our assessment that the primary risks relate to changes to assumptions and the methods and models applied. Changes to assumptions and the methods and models applied can significantly affect the measuring of unlisted investments.</p> <p>Assumptions with the greatest degree of management estimation include:</p> <ul style="list-style-type: none"> <li>• Assessment of future cash-flows</li> <li>• Determination of return requirement</li> <li>• Determination of valuation multiples</li> <li>• Determination of yield curve and credit spread supplement</li> </ul> <p>Management has provided details of measurement of unlisted investments in Note 14, Financial assets and liabilities and returns and in Note 11, Fair value disclosure.</p>
Auditing the key element	<p>Based on our risk assessment, we have reviewed the valuation of unlisted investment performed by Management and assessed the determined assumptions and the methods and models applied.</p> <p>Our review included the following elements:</p> <ul style="list-style-type: none"> <li>• Assessment of controls for valuation of unlisted investments, including procedures for determining assumptions.</li> <li>• Assessment of assumptions with the greatest degree of management estimation.</li> <li>• Assessment of the applied methods and models by applying our industry insight and experience focusing on such issues as changes compared with the previous year.</li> </ul>



## Independent auditors' report, continued

Measuring guaranteed benefits	
Key element	<p>For the Group, guaranteed benefits represent DKK 787.8bn as of 31 December 2021 (2020: DKK 813.6 bn).</p> <p>Measuring guaranteed benefits is considered a key element of the audit, as the calculation of guaranteed benefits is a complex issue which is to a large extent subject to accounting estimations based on management assessments and assumptions regarding future events. It is our assessment that the primary risks relate to changes to assumptions and applied methods and models. Changes to assumptions and applied methods and models can have significant impact on the measurement of guaranteed benefits.</p> <p>Areas involving the greatest degree of management estimates include:</p> <ul style="list-style-type: none"> <li>• Models for valuing guaranteed benefits</li> <li>• Calculating future life expectancy (the life expectancy model SAINT).</li> <li>• Determining the discount rate.</li> </ul> <p>Management has provided a description of the measuring of guaranteed benefits in Note 12, pension provisions.</p>
	<p>Based on our risk assessment, we have reviewed the valuation of guaranteed benefits performed by Management and assessed the model applied and the determined assumptions.</p> <p>Our auditing activities, in which we have included our own, internationally qualified actuaries, have included the following elements:</p> <ul style="list-style-type: none"> <li>• Assessment of controls in actuary models, data collection and analysis and procedures for determining assumptions.</li> <li>• Independent actuary assessment of applied data, methods, models and assumptions relative to accepted actuarial standards, the historic development and trends.</li> <li>• Assessment of changes to applied assumptions and applied methods and models relative to last year and developments in industry standards and practices.</li> <li>• Independent recalculation of Guaranteed Benefits in an in-house developed model based on ATP's data.</li> </ul>
Auditing the key element	

### Management's responsibility for the consolidated financial statements and the parent company financial statements

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

In the preparation of the consolidated financial statements and parent company financial statements, Management is re-

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

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

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

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

- We identify and assess the risk of material misstatement in the consolidated financial statements and parent company financial statements, whether due to fraud or error, we design and perform audit procedures in response to these risks and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not identifying material misstatement resulting from fraud is higher than in connection with material misstatement resulting from error as fraud may comprise conspiracy, forgery, deliberate omission, misrepresentation or override of internal controls.
- We obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the company's internal control.
- We determine whether the accounting policies applied by Management are appropriate and whether the accounting estimates and related information prepared by Management are reasonable.
- We express an opinion on whether Management's prepa-

ration of the consolidated financial statements and parent company financial statements based on the going concern basis of accounting is appropriate and on whether, based on the audit evidence obtained, material uncertainty is attached to events or conditions that may give rise to significant doubt about the Group's and the company's ability to continue their operations. If we express the opinion that there is material uncertainty, we must in our auditors' report draw attention to information thereon in the consolidated financial statements and parent company financial statements or, if such information is insufficient, we must modify our opinion. Our opinions are based on the audit evidence obtained until the date of our auditors' report. Future events or conditions may, however, result in the Group and the company becoming unable to continue operations.

- We consider the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including disclosures in the notes, and whether the consolidated financial statements and parent company financial statements reflect the underlying transactions and events in such a way that they provide a true and fair view thereof.
- We obtain sufficient and appropriate audit evidence about the financial information regarding the entities or business activities in the Group for use for the purpose of expressing an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the consolidated financial statements audit. We are solely responsible for our audit opinion.

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

We also submit a statement to the senior management to the effect that we have complied with relevant ethical requirements regarding independence and notify it of all relationships and other circumstances which can be reasonably considered to affect our independence and, where relevant, any applied security measures or action taken to eliminate threats.

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

### Statement on the Management's review

The management is responsible for the management's review.

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

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

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

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

Hillerød, 9 February 2022

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

Jacques Peronard

State Authorised  
Public Accountant  
State Authorised Public Accountant

MNE No. 16613

Lars Kronow

MNE No. 19708

# Further information

→ [www.atp.dk/en/further-information-2021](http://www.atp.dk/en/further-information-2021)

## General matters

- General Management
- Recommendations on corporate governance
- Terms of reference of the Audit Committee
- Procedures of the Executive Committee
- Terms of reference of the Risk Committee
- Other directorships held by members of the Group Management
- Other directorships held by members of the Supervisory Board
- The financial reporting process

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- Policy on remuneration of the Supervisory and Executive Boards, significant risk takers etc. in ATP (Pay Policy)
- Remuneration report

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- Danish listed equity investments (Excel)
- International listed equity investments
- International listed equity investments (Excel)
- Danish private equity investments
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- Corporate bonds
- Government bonds, broken down by issuer country
- Exposure to equity indices in financial derivatives

- Pension provisions, calculated using the discount rates applied by ATP and EIOPA, year-end 2021
- Specification for “Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme” Section 10

## Financial calendar

- Interim and annual reporting 2022

## Value creation

- Value creation at ATP
- Definition of value creation ratios

## Responsibility

- Responsibility 2021  
([www.atp.dk/en/responsibility-reports-and-publications](http://www.atp.dk/en/responsibility-reports-and-publications))

## Facts about ATP Livslang Pension (Lifelong Pension)

- ATP’s investment approach
- The Danish Financial Supervisory Authority’s return ratios N1
- ATP’s pension product
- Mandatory Pension Scheme (Obligatorisk Pensionsordning – OP)
- Pension scheme for disability pensioners (SUPP)
- ATP’s life expectancy model and work with forecasting life expectancy