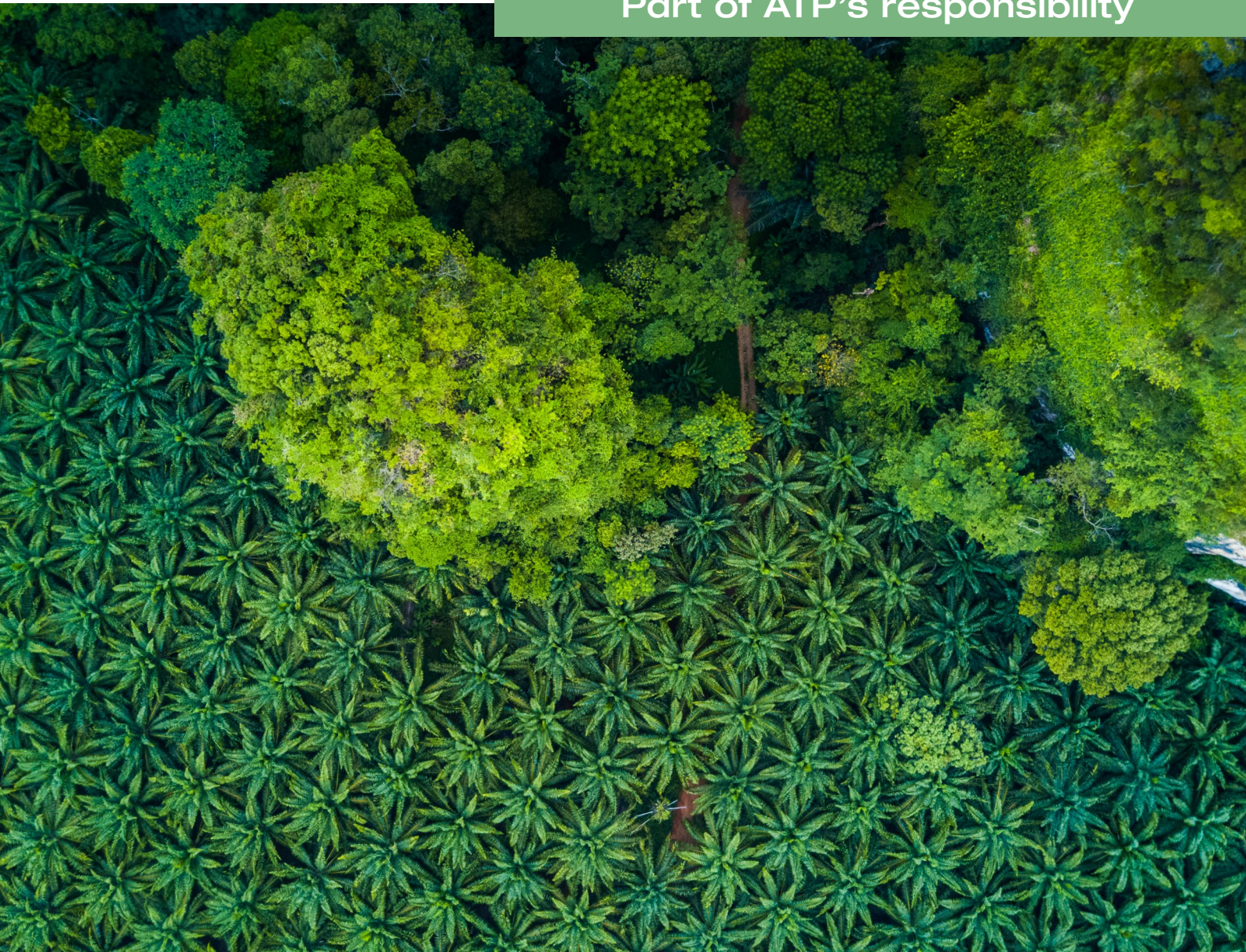


The ATP Group

2019 Fact-finding

Part of ATP's responsibility



atp=

ATP's screening and fact-finding activities

ATP's screening and fact-finding activities ensure that the investment portfolio is analysed on an ongoing basis with a view to identifying the companies which involve the greatest risk of breach of the Policy of Responsibility in Investments. This also helps ensure that ATP complies with international guidelines for responsible business conduct.

Basis

The basis of the screening and fact-finding activities is ATP's Policy of Responsibility in Investments which sets out a number of basic principles and minimum criteria for the portfolio companies' conduct.

Among other things, the policy states that we do not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

The policy and its implementation in the investment processes are an important part of ATP's efforts to comply with the OECD Guidelines for Multinational Enterprises which set out expectations for companies' conduct and include topics such as human rights, environment and anti-corruption.

ATP has developed different processes for identifying potential violations depending on the asset type and investment approach. For liquid assets, we have developed screening processes which ensure that we continuously monitor whether companies in the portfolio violate the principles of ATP's Policy of Responsibility in Investments.

Processes

The screenings allow ATP to focus its resources on the most serious allegations and possible breaches of ATP's Policy of Responsibility in Investments.

As the equity portfolio is relatively dynamic, we have tailored the screening processes to include risk-based screenings of the surrounding equity universe in addition to screenings of the current portfolio. This helps us identify potential investments that should be further investigated.

If a screening indicates that a company might be in breach of the policy, the investigation will transition to fact-finding. Fact-finding is a flexible investigation process which may include many different types of sources and whose purpose is to make it possible for ATP's Committee for Responsibility to conclude whether or not there has been a breach of ATP's policy.

If ATP's Committee for Responsibility finds that a portfolio company is in breach of ATP's Policy of Responsibility in Investments, ATP will either exclude or engage in a targeted dialogue with the company.

Activities

ATP decided to exclude five companies with activities within a special type of tar sand extraction from its investment universe. The assessment was based on the fact that a significant volume of the companies' business comes from activities that are likely to be in conflict with the Convention on Biological Diversity and relevant guidelines in the area.

In 2019, ATP carried out fact-finding of two mining companies, Grupo Mexico and another company, both of which have been accused of unacceptable conditions in connection with their mining activities. The result of the fact-finding was that ATP

decided to exclude Grupo Mexico as the company was unwilling to engage in a dialogue.

ATP has been in dialogue with a utility company with activities in the USA, Mexico, Europe and Brazil. The company was being accused of not having consulted the local population in connection with the construction of a hydropower plant in Brazil.

ATP stopped the fact-finding as the company was believed to have taken the proper measures and was willing to initiate corrective actions.

ATP's ESG principles and fact-finding

#1

ESG as an investment belief

ATP's Policy of Responsibility sets out that ATP must include considerations for the environment, climate, human rights, labour and corporate governance issues in its risk management and investment processes. Screening and fact-finding help ensure that ATP complies with the Supervisory Board's policy and ensures that ATP does not take unnecessary risks in its investments.

#2

Strong tailored processes

ATP sees ESG risks in line with other investment risks, including market risks. ATP's screening and fact-finding processes are designed to match the different investment approaches established by ATP for the individual asset types used.

#3

Development of ATP's ESG competencies

ATP carries out the screening and fact-finding ourselves, including the dialogue with companies and external managers, as this will give us more insight into the companies' affairs. This also helps increase the professional substance and knowledge sharing to make sure that ATP meets the global requirements and standards for responsible investments and to strengthen ATP's reputation as a serious and responsible investor.

#4

Preference for capital stewardship

By carrying out the investigation of and engaging in dialogue with companies in potential conflict with ATP's Policy of Responsibility in Investments, ATP gains an insight into the companies' affairs and challenges which increases the chances for a positive outcome of the dialogue. For the same reason, ATP views exclusion as a last resort only to be used when dialogue is unsuccessful in influencing a company in the desired direction.

The cornerstone of ATP's responsibility in investments

ATP's activities related to social responsibility in investments cover a wide area – from integration of climate data in investment processes to voting on senior management remuneration at the general meetings of companies. A cornerstone of our activities, however, is the ongoing work to ensure that we do not invest in companies which act in violation of legislation or international conventions and thereby violate our Policy on Responsibility in Investments.

ATP does not invest in companies which repeatedly violate national legislation or international conventions

In the policy, ATP's Supervisory Board determines basic principles and minimum criteria for the behaviour of portfolio companies. Among other things, the policy states that ATP does not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark. If, after closer investigation, we find that a company is violating ATP's policy, this can ultimately result in exclusion from the investment universe, despite our general approach of trying to influence our portfolio companies via critical dialogue.

ATP's Policy for Responsibility – and its implementation in our investment processes – is designed to ensure that ATP complies with the OECD Guidelines for Multinational Enterprises. The OECD Guidelines are an international, authoritative set of expectations for business conduct in relation to issues such as human rights, environment and corruption. For investors such as ATP, whose primary effect on society are via the companies in which we hold shares, the OECD has published the guideline Responsible Business Conduct For Institutional Investors, condensed by the Danish Business Authority in its 2018 Guideline on Responsible Investments (Vejledning om Ansvarlige Investeringer).

According to the OECD, an investor should apply a risk-based approach to investments such that resources are prioritised

where the risk of being linked to a serious violation is greatest and where the investor has the best chance of making their influence felt. Compliance with the guidelines should also be designed according to the relationship that the investor has to the violation in question.

We use two overall tools to do so: Screening and fact-finding. Screening processes ensure that ATP continuously monitors whether any portfolio companies violate the principles determined in the Policy on Responsibility. If screening detects signs of this being the case, ATP instigates a careful investigation of the matter – fact-finding – of the companies in question. ATP primarily focuses on the companies in the portfolio, but also performs screening and fact-finding related to companies in the potential investment universe. We believe that this is the best way to ensure compliance with both ATP's Policy on Responsibility and the OECD's expectations for institutional investors.

INTERNATIONAL GUIDELINES

In the design of its social responsibility processes, ATP has focused on several sets of international recommendations and guidelines. The OECD Guidelines for Multinational Enterprises – and their specific applicability to investors in the document Responsible Business Conduct for Institutional Investors – are, in the opinion of ATP, the most important guidelines for responsible investors. The OECD's Guidelines integrate the UN Guiding Principles on Business and Human Rights (UNGPs), which are the UN's recommended framework for how companies should work with the protection of human rights and labour rights. The OECD's guidelines also cover all the issues making up the basic principles of the UN's membership based initiative for responsible companies, Global Compact – such as environment and anti-corruption. In fact, the OECD's Guidelines have even wider coverage than that, as issues such as tax and consumer interests are also encompassed by the guidelines.

Three types of potential investor connections to OECD guideline violations

Investor's connection to a violation	<i>Directly linked</i>	<i>Contributes to</i>	<i>Cause</i>
Nature of connection	Investor has little direct influence, e.g. via ownership of minority interest in a company	Investor has significant influence via ownership in the company	Investor holds large shareholding and controlling influence over the company
Examples	Investments in listed equities or bonds with a relatively small shareholding	Larger shareholdings in funds, larger equity investments or direct investments in real estate, infrastructure or the like	Majority owned direct investments in real estate, infrastructure or the like.
Investor requirements	Investors should seek to influence the company to cease and mitigate adverse impact	Investors should ensure that the company ceases and mitigates adverse impact	Investors should take necessary measures to stop adverse impact and ensure remediation for parties involved

Screening of companies for breaches of ATP's Policy on Responsibility

For liquid assets, such as listed equities and corporate bonds, we have developed screening processes which ensure that we continuously monitor whether companies in the portfolio violate the principles of ATP's Policy on Responsibility in Investments. The purpose of the screening process is to efficiently sort through information and allegations against companies to allow ATP to focus resources on investigating the serious allegations and possible violations of ATP's Policy.

Screening is an efficient selection method for listed companies as there are relatively large data quantities describing the behaviour of listed companies – both from media, NGO's, court documents and the companies' own report – which enables the design of systematic screening processes based on data from external ESG analysis agencies. This also applies to ATP's portfolio of corporate bonds as many of these companies are listed and therefore also have satisfactory data coverage.

The external data providers monitor the behaviour of many thousands of Danish and international companies across a wide range of parameters. In addition to data providers' monitoring, ATP can also include information from external sources regarding a portfolio company's possible violation of the Policy on Responsibility in Investments.

In the selection of indicators for the screening process, ATP incorporates a wide spectrum of ESG issues relating to international conventions and Global Compact principles. These indicators cover a wide range of environmental issues (such as biodiversity), human rights issues (such as civil liberties and protection of the rights of indigenous peoples), labour rights (such as the right to collective bargaining, anti-discrimination and child labour) and anti-corruption.

ATP's screening is based on a wide range of ESG topics related to international conventions and Global Compact principles.

This way, ATP also integrates the OECD Guidelines for Multinational Enterprises in its investment processes which recommend that investors establish risk-based due diligence processes to identify and manage situations in which a portfolio company is potentially having an adverse impact on society.

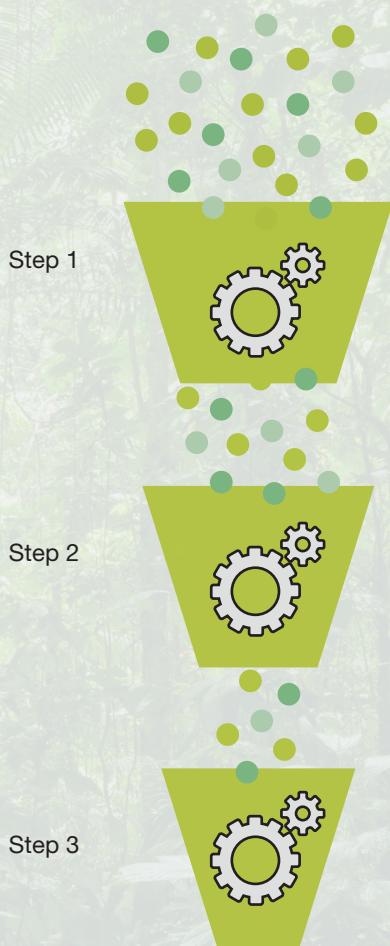
ATP PERFORMS SCREENING AND FACT-FINDING IN-HOUSE

ATP performs screening and fact-finding rather than delegating it to an external party. When we perform screening, we obtain insight and knowledge regarding the companies which we can use in investment procedures and decisions. At the same time, we ensure that screening and decisions regarding fact-finding and potential exclusion has a factual basis.

SCREENING OF GOVERNMENT BONDS

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

SCREENING PROCESS



1. Screening

The first screening step identifies companies in the portfolio which may possibly be in violation of ATP's Policy on Responsibility. Based on the indicators selected, we have developed a system which enables the automation of identification of companies most likely to be in violation of ATP's policy. These companies will have worse or better substantiated complaints against them than will other companies in the portfolio, and will therefore have significantly worse scores on the ESG indicators selected.

2. Priority

When the scores obtained by a company do not meet our minimum requirements, it is investigated whether the complaints against the company – provided that they are valid – could also constitute a violation of ATP's Policy on Responsibility in Investments. This leads to the second step of the investigation. In this step, ATP's analysts perform a qualitative analysis of the complaints. The specific method used is that several ESG analysts perform independent assessments of the complaints against each of these companies, followed by a common selection procedure.

3. Fact-finding

Throughout the process, we focus on the requirements of and recommendations for companies that can be derived from the Global Compact principles and the OECD Guidelines. The OECD Guidelines, for example, include recommendations for what companies should specifically do, e.g., to avoid contributing to corruption.

In cases where it is our assessment that the complaints are serious and could constitute a violation of ATP's Policy on Responsibility in Investments, the company is made the subject of the third step of the investigation which is an in-depth investigation of the complaints and the company's actions – a so-called fact-finding.

Fact-finding as a method to uncover potential violations

If one of ATP's screening processes indicates that a company may have violated ATP's Policy on Responsibility in Investments, the investigation will typically be progressed to the process called fact-finding. Fact-finding is a flexible investigative process in which ATP can include a variety of different sources. This can include court documents, open sources, NGO reports or company websites. The purpose of fact-finding is to enable ATP's Committee for Responsibility to determine whether ATP's policy has been violated.

During fact-finding, ATP's analysts investigate and assess what the specific complaints against the particular company

” When ATP looks into complaints against a company, we apply the necessary resources to uncovering and assessing relevant sources – including input from the company itself. We prioritise a thorough approach, whether the investment is a large or a small one.”

Simon Leicht Nielsen, Senior Analyst, ESG



EXCLUSION OR ACTIVE OWNERSHIP?

In line with the OECD Guidelines and the Danish Business Authority's Guidelines for Responsible Investments, ATP considers exclusion to be a last resort that is only applied when all other options of influencing the company have been attempted. It is our experience that we are usually better able to influence portfolio companies via active and critical ownership and targeted dialogue than by selling our assets to other investors who may not have the same concerns about the impacts on society and people by their portfolio companies.

actually are and whether they are well supported, and often a dialogue is opened with the company to seek its comments on and assessment of the complaints. In cases where the investigation indicates questionable behaviour, the company also has the opportunity to explain whether organisational or operational measures have been implemented to correct matters and manage future problems.

The dialogue will often be in writing, but in many instances we also open verbal dialogue with the company. A fact-finding process can therefore often take several weeks or even months.

If fact-finding indicates that ATP's Policy on Responsibility in Investments could be violated, the ESG analysts will present the investigation results to the Committee for Social Responsibility with a recommendation to either open a so-called targeted dialogue with the company or to exclude the company.

If, conversely, fact-finding indicates that the company's behaviour complies with ATP's Policy on Responsibility in Investments, fact-finding is terminated. It is the seriousness of the specific complaint and not the size of the investment in the specific company which guides our work and conclusions.

Targeted dialogue or exclusion

If ATP's Committee for Responsibility finds that a portfolio company is in breach of ATP's Policy of Social Responsibility in Investments, ATP will decide to either exclude or engage in a targeted dialogue with the company.

ATP engages in targeted dialogue with a portfolio company which has violated the policy if it is assessed that there is a justifiable expectation that ATP, based on its current investment, can influence the company to change its behaviour. The clear purpose of the dialogue is to make the company correct the problem or, in the words of the OECD Guidelines, cease and mitigate its adverse impact on society or rightsholders.

This also means that ATP shows deliberate patience in the process of engaging in targeted dialogue, as long as ATP finds that the company has a cooperative attitude, is responsive and shows progress. If the company does not change its conduct, ATP will eventually elect to exclude the company. ATP's Committee for Responsibility may also choose to exclude the company without first engaging in dialogue with it.

Exclusion means that ATP divests from the company and that the company is removed from ATP's investment universe for an indeterminate time. The exclusion applies to equity investments in the company and majority owned subsidiaries as well as loans to the company and its subsidiaries.



Risk-based screenings of ATP's equity universe

In addition to portfolio screenings, ATP has also developed risk-based methods for monitoring its global equities universe. When we invest in global, listed equities, we select the equity from a universe consisting of thousands of companies based on factor-based analyses of market data.

As the portfolio is relatively dynamic, we have tailored the screening processes to continuously screen our current investments and perform risk-based screenings of the surrounding equity universe. Screening the equities universe helps us identify potential investments that should be further investigated. ATP still, however, prioritises spending resources on its actual investments.

It is unlikely that ATP will end up investing in all the companies in the equities universe. For this reason, the screenings of the equities universe are risk-based, with the view to uncovering whether there are companies that we need to know more about before placing a potential investment.

This screening method enables ATP to start from a specific issue or theme in relation to which ATP wishes to know its potential exposure. The theme can be identified, for example, on the basis of previous fact-findings or a current matter discussed in the media.

The purpose of risk-based screening is to clarify the scope of ATP's potential future exposure to a given ESG issue. In 2019, for example, we investigated environmental themes related to the extraction of tar sands as described later in the report.

Other screening methods

There also exists a large number of listed companies in which ATP holds no investments and also is not currently considering investing in. This means that ATP's risk of being linked to the potentially problematic behaviour of such a company is minimal, and ATP should therefore not, as a general rule, take the initiative to investigate these companies. There are, however, types of company behaviour with which ATP wants to make absolutely sure not to be connected with, and in this

connection ATP bases its efforts on a number of external information sources.

This specifically relates to three input types.

- We collaborate with an external data provider to ensure that ATP does not invest in companies producing cluster munitions or land mines. ATP also does not invest in companies involved in the production of nuclear weapons in violation of the so-called non-proliferation treaty.
- ATP uses research from an external data provider to ensure that ATP does not invest in companies in violation of international trade embargoes. We have integrated this data directly into ATP's trading systems.
- ATP can also elect to initiate its own fact-finding of a given company where a major investor has presented credible documentation for issues and behaviour in the company which could also constitute a violation of ATP's Policy on Responsibility in Investments.

ATP REVISITS WALMART EXCLUSION

In 2008, ATP excluded the American supermarket chain Walmart for labour market rights violations. In 2019, the Norwegian Oil Fund chose to cancel its exclusion of Walmart on the basis of a range of alleged improvements to employee conditions at Walmart. As we consider the Norwegian Oil Fund to be a leading and like-minded investor with an ESG focus, ATP takes its decisions into consideration. This has moved us to review the Oil Fund's grounds for its decision, but because those grounds led us to conclude that there have not been sufficient improvements in the employees' ability to unionise, ATP maintains its exclusion of Walmart.



7

6

Further selection
with our food
grabbers

Bottle
Bag

ASDA Price
Lowest Price Guarantee

ASDA Price
Lowest Price Guarantee

ASDA Price
Lowest Price Guarantee

ASDA Price
Lowest Price Guarantee

ASDA Price
Lowest Price Guarantee

ASDA Price
Lowest Price Guarantee

Fact-finding and exclusion regarding companies involved in the extraction of tar sands

The debate on the climate and environmental consequences related to the extraction of oil from tar sand has been going on for years. In recent years, the level of knowledge regarding these consequences has become significantly higher – not least thanks to academic research and NGO investigations. It is ATP's assessment that the information overall now suggests that especially the type of tar sand development known as open-pit mining is environmentally problematic to an extent that this type of extraction can be considered to be in violation of the 1992 Biodiversity Convention, and thereby also ATP's Policy on Responsibility in Investments.

In addition to its higher water and climate impact than conventional oil extraction, open-pit mining of tar sand oil also, for example, necessitates the clearing of forest to be able to dig up the underlying tar sands, and there have been frequent reports of pollution of natural soil and water environments adjacent to open tar sand mines.

Deforestation, pollution and changes to ecological systems can undermine important animal habitats which may impact

global biodiversity, which is already under threat. The UN organisation IPBES, for example, published a report in May 2019 which concludes that the eradication of animal and plant species by humans is at its highest ever rate, and that 75% of all land-based ecosystems have been eroded by human activity. The report highlights deforestation as one of the greatest threats to global biodiversity.

In 2019, therefore, ATP elected to perform a proactive screening of its equities universe to identify companies with significant activities related to the extraction of tar sands via open-pit mining. The screening investigated whether there were companies involved in the extraction of tar sands and to which extent this involved extraction via open-pit mining.

ATP has excluded three Canadian and two Chinese oil sand producers from the investment universe for violations of the international Biodiversity Convention.

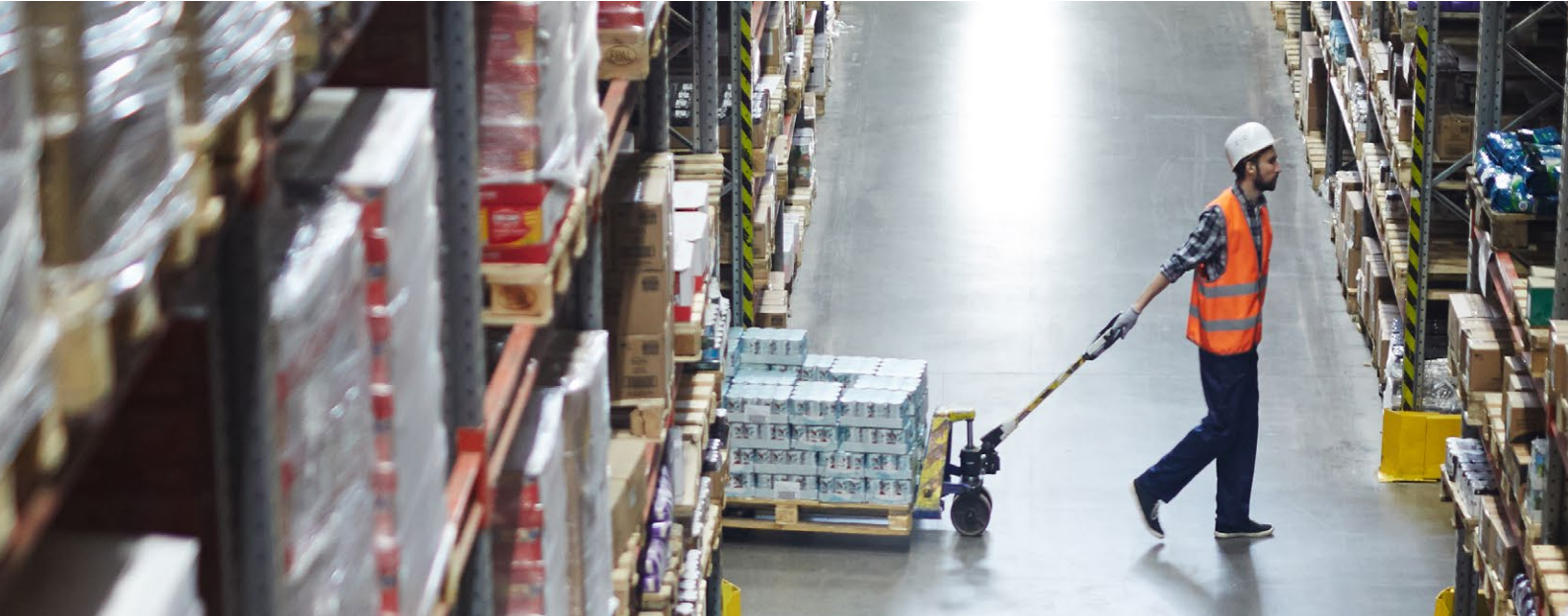
WHAT IS TAR SAND?

Tar sand oil is an unconventional oil extracted from oil-rich sand reserves which are put through a chemical process to produce synthetic oil with the same basic properties as conventional oil. Today, tar sand is extracted in several places worldwide, such as Russia and Venezuela, but the largest reserves are in Canada, where the majority of extraction activities also take place. Reserves in Canada are predominantly found under areas covered by forest.

The higher operating costs related to producing oil from tar sand has historically made tar sand extraction unprofitable, but recent years' increasing oil prices and technological developments have meant that it is currently possible to profitably extract tar sand.

The screening identified three Canadian and two Chinese companies in which ATP did not invest but which were in the equities universe and therefore potential investments: Canadian Natural Resources Ltd., Suncor Energy Inc., Imperial Oil Ltd., China Petroleum & Chemical Corp (Sinopec) and China National Offshore Oil Corp (CNOOC).

ATP therefore chose to investigate these companies in more detail and could conclude that all five companies, in the assessment of ATP, base a significant part of their business on activities which are likely to be in violation of the Biodiversity Convention and relevant guidelines. As ATP could also not locate any documentation to support that the companies were planning to discontinue these activities, ATP elected to exclude the five companies from its investment universe.



Themes of ATP's fact-finding in 2019

In 2019, ATP performed 24 fact-findings. Most of these were initiated as a result of the standard processes for screening of ATP's equities and corporate bonds, but there is also a small number of fact-findings which were initiated by ATP as the result of external communication or media mention.

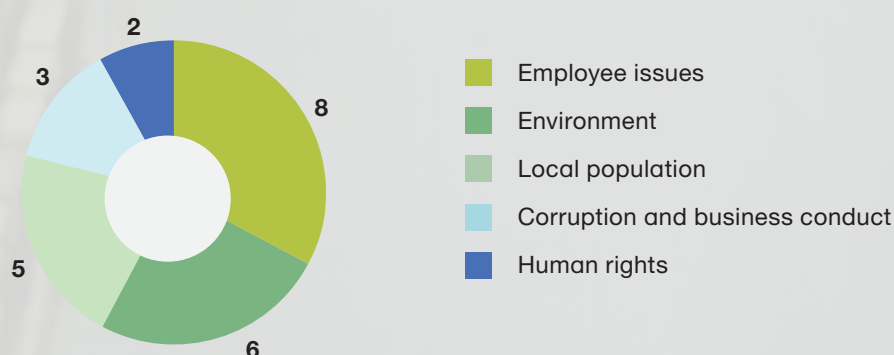
ATP prioritises screening and fact-finding on the basis of the seriousness and believability of the individual complaint. At the same time, we prioritise performing fact-findings when we believe that it will be possible to find documentation to support that the company or companies have deliberately and repeatedly acted in violation of legislation or international conventions. There can, therefore, be variations from year to year in which general issues and themes receive the greater attention in our fact-findings.

Labour rights is the single theme which has taken up most attention in the year's fact-findings. In 2019, ATP performed seven fact-findings in which one or more companies were alleged to negatively influence labour rights, for example by denying employees their right to breaks and a reasonable wage or by opposing the right to unionise. In addition, ATP performed fact-finding on a company alleged to apply unacceptably poor safety conditions in their business.

Environment is another theme dealt with in several fact-findings in 2019. Six times during the year, ATP investigated companies alleged to ignore environmental concerns, for example via deliberate pollution of surrounding environments or via operating such poorly maintained facilities that it constitutes a risk of accident with serious adverse environmental consequences.

Finally, ATP performed five investigations of companies alleged to neglect the rights of local populations in connection with operating their business. This includes such cases as companies alleged to have failed to involve or even forcibly displace the local population in connection with major construction projects.

Themes of ATP fact-finding in 2019



Environmental issues and human rights violations in the mining industry

The world increasingly needs metals, raw materials and rare minerals for the ever growing demand for electronic equipment and batteries for electric cars and the production of renewable energy.

At the same time, the mining industry has a significant social and environmental footprint and is often at risk of causing or contributing to adverse impact such as human rights violations, labour rights violations and negative environmental impact.

Mining can lead to significant environmental and social issues. It is also not always clear whether mining brings economic and social benefits to the country in question, as raw materials and metals are often found in countries with unstable governments and weak legislation, providing fertile grounds for corruption and bribery. In some cases, operations affect local populations and indigenous peoples near the mines, which can lead to human rights violations.

There have been a number of disasters in recent years when tailings dams have collapsed, leading to substantial losses of human life. This has also led to increased attention on the safety of tailings dams in the global mining industry.

In 2019, ATP carried out fact-finding of two mining companies, Grupo Mexico and another company, both of which have been accused of unacceptable conditions in connection with their mining activities.

WHAT IS A TAILINGS DAM?

A tailings dam is an artificial dam containing by-products of separating the ore from the waste rock. It can be liquid or muddy and can be toxic and sometimes radioactive. Instead of dams, the so-called dry stack technique can be used, in which the water content of by-products is reduced to a minimum, removing the risk of overrun or breaches.

Grupo Mexico is one of the world's largest copper suppliers and therefore also has a role to play in the green transition due to the importance of copper in batteries and energy networks.

However, the company has been involved in several labour rights controversies, for example with relation to mine safety, general employment terms, including wages, as well as suspicions related to corruption and environmental concerns related to discharges from mines in Mexico and Peru.

In 2014, there was a large discharge of 40,000 m³ of copper sulphate from the copper mine Buenavista del Cobre in Mexico, considered one of the worst environmental disasters in Mexico's history. Grupo Mexico was fined and ordered to implement a number of measures to mitigate the disaster, e.g., building 28 water cleaning plants and a health clinic for the treatment of members of the local population. A UN working group determined in 2016 that Grupo Mexico had not satisfied the requirements made after the disaster. For example, only one water cleaning plant has been constructed, and the company has closed down a compensation fund before processing everybody's case.

ATP has excluded Grupo Mexico as the company did not enter into a dialogue regarding a number of questionable issues.

Grupo Mexico is building a new tailings dam at the same mine. This has led to massive protests since the local population has allegedly not been consulted. The Mexican Supreme Court has ruled that Grupo Mexico must consult the local population, and as of November 2019, ATP was not aware that this consultation had been initiated. Grupo Mexico has responded to the Minings and Tailings Safety Initiative in 2019, but since the Initiative's assessment is that the response is not sufficient, ATP does not assign any particular value to it.

As a part of our fact-finding process, ATP attempted to contact Grupo Mexico, but despite several attempts Grupo Mexico has not responded to ATP's communications. Eventually, ATP saw

no other course than to place Grupo Mexico on the exclusion list and divest.

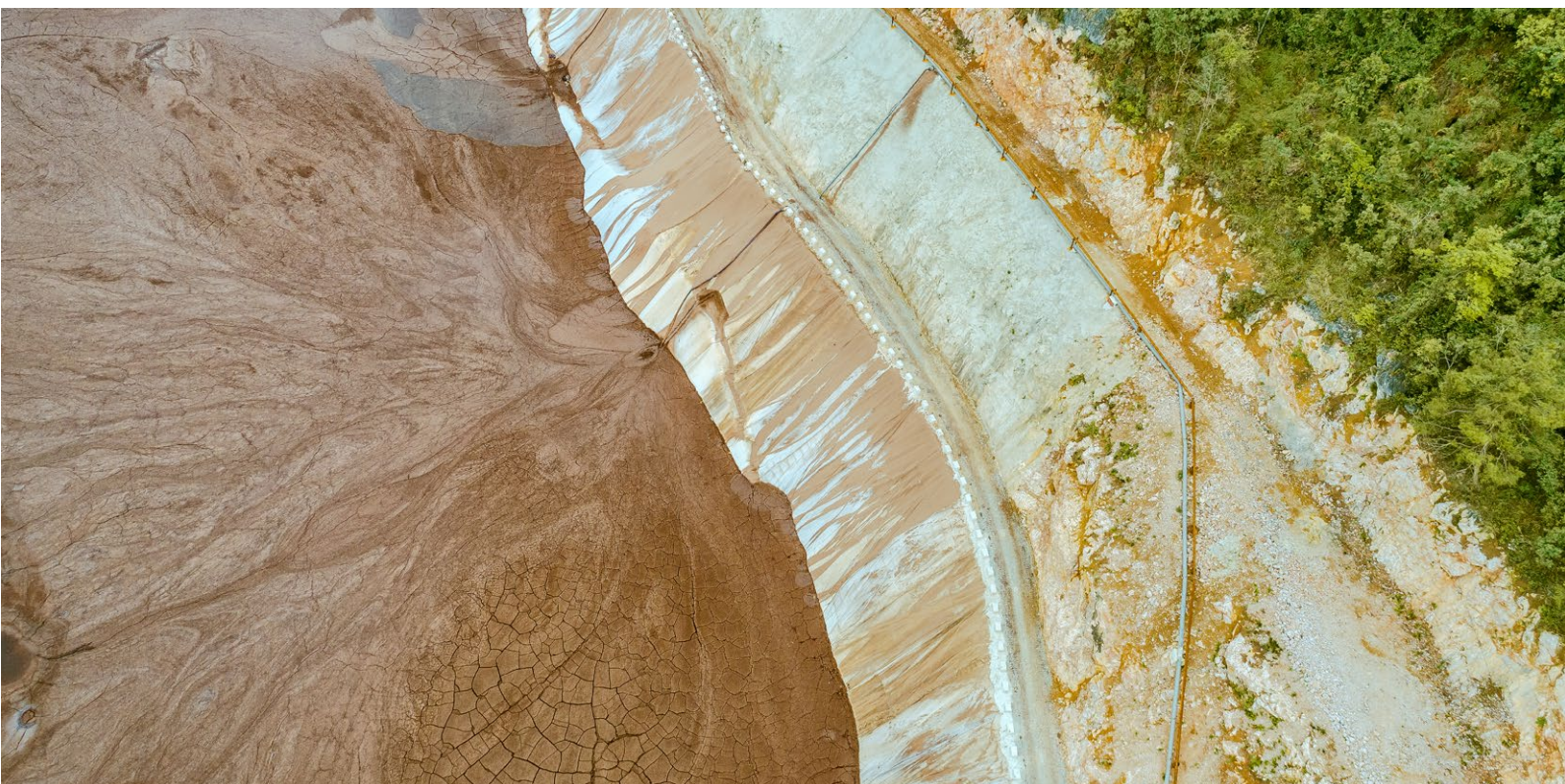
ATP also holds a bond investment in a subsidiary of a steel manufacturer which also operates mines in South America. Like Grupo Mexico, this company has a tailings dam in connection with one of the company's mines.

Via the fact-finding process, ATP became aware of a number of unresolved issues regarding the company's mine, and neither was the company open and transparent about conditions at the mine. ATP therefore contacted the company and a telephone meeting was arranged, with the participation of the company's investor relations and sustainability team. During the telephone meeting, ATP asked about the conditions related to the mine, including future use of tailings dams in light of recent disasters.

In the meeting, the company said that they intend to decommission the dam in question and to identify other methods for the storage and cleaning of mining operations waste water. The company expected to commence decommissioning before the end of 2019, but due to the size of the dam it is expected to take a couple of years. The company has already completely or partially decommissioned its six other dams.

The company also works on providing better transparency regarding the company's ESG issues, including the use of tailings dams, and they expect to respond to the communication from Minings and Tailings Safety Initiative.

Based on the constructive dialogue, ATP elected to discontinue the fact-finding process. ATP will continue to follow developments to ensure that the company lives up to its promises.



Hydropower in Brazil causes dilemmas for companies and investors

ATP holds equity in a utility company with activities in the USA, Mexico, Europe and Brazil. The company was being accused of not having consulted the local population in connection with the construction of a hydropower plant in Brazil. ATP assessed the accusations to be serious and contacted the company for further information.

For several years, Brazil has had a clear strategy of applying hydropower for the nation's increasing energy needs, and more than 70 per cent of the country's energy production currently comes from hydropower. The new president of Brazil, Jair Bolsonaro, has also been positive about constructing more hydropower plants in Brazil, some in tributaries to the Amazon.

From a climate point of view, hydropower expansion is a positive thing, as hydropower has a very low CO₂ intensity per kWh produced. This means that the expansion of hydropower will help ensure that Brazil's increasing energy needs, caused by population expansion and economic growth, are to a greater degree covered by renewable energy and less by fossil fuels.

There are, however, a number of issues related to hydropower that its positive climate aspects must be contrasted with. This includes the flooding of areas to be used as reservoirs for dams. When an area is flooded, it can have significant consequences for the biodiversity and environment. This can include animal species unable to migrate to other areas, and forest and plant life can be irretrievably damaged.

Finally, a hydropower plant can have significant consequences for the indigenous peoples of Brazil which have existed for centuries. Many indigenous peoples live in areas rich in resources, meaning that especially the mining, oil and gas industries run the risk of violating the rights of indigenous peoples. Particularly in Brazil, however, a number of indigenous peoples are still settled in forested areas. The rights of indigenous peoples can constitute a particular risk exposure to companies which may face challenges with projects and activities in areas with indigenous peoples.

ATP want the companies we invest in to respect and consider the UN's Declaration on the Rights of Indigenous Peoples and ILO Convention 169 regarding indigenous peoples and tribes

in independent states, including to make sure that local populations are consulted in connection with the establishing of projects and the obtaining of Free, Prior and Informed Consent (FPIC) before commencing a project.

In a relatively comprehensive sustainability report, the company addresses environmental and social issues related to the hydropower plant. The company also includes indigenous peoples in its separate human rights policy and has committed to complying with the UN's Guiding Principles for Business and Human Rights. ATP did not find, however, that the report could justify the conclusion that the company lived up to our requirements. We therefore contacted the company and arranged a telephone meeting in which the specific matter was discussed.

The company operates a relatively comprehensive programme related to local communities and indigenous peoples both in connection with the environment and social issues. There have been some minor controversies with indigenous peoples regarding, for example, fishing and flooded areas, but they have all been resolved.

There has also been ongoing dialogue with local communities and indigenous peoples, not just in relation to the specific matter but also in relation to all of the company's operations. The company has increased its focus on how it can ensure that free, prior and informed consent has been obtained prior to commencing projects, how to collaborate with indigenous peoples during construction works and after, such as in relation to the ability to file complaints (grievance mechanisms). According to the company, Brazilian legislation is still very strong in this area, but if the legislation is slackened the company will continue to work in accordance with current legislation in order to maintain the highest possible standards.

The company had a positive approach to the dialogue and it is our conclusion that there is no violation of our Policy on Responsibility in Investments, as the company has clear policies and procedures for the handling of such issues. In future, the company will be focusing on wind power rather than hydropower, meaning that the risk of similar cases is reduced. ATP will be staying up-to-date with any new developments.

More than 70 per cent of energy production in Brazil is from hydropower plants, and there are plans to build more. The rivers that will be dammed are in natural areas with great biodiversity and indigenous peoples.

INDIGENOUS PEOPLE

People in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonisation or the establishment of present State boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions.” ILO and UN definition of indigenous people.

Indigenous people are entitled, among other things, to:

- Unlimited autonomy;
- Inalienable collective right to ownership, use of and control of lands, territories and other natural resources;
- Preservation and development of their own political, religious, cultural and educational institutions;
- Protection of their cultural and intellectual property.