

The ATP Group

2021 Green transition

Part of ATP's responsibility



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Green transition initiatives

As Denmark's largest investor, ATP plays a key role in the green transition — a role we take very seriously. The green transition offers both business risks and opportunities that we must consider in order to ensure optimum return to our members.

Basis

ATP set out new climate ambitions in 2021, which laid the foundation for how ATP contributes to the green transition, while ensuring our members robust returns in the long term. Indeed, green transition and a good return can go hand in hand.

More specifically, our ambition is to spend at least DKK 100 billion on green investments by 2025, a figure that by 2030 must total DKK 200 billion. Until the EU's sustainable taxonomy is operational, we have made a fixed, defined calculation method for green investments, based on which we will publish

our progress every year. By the end of 2021, we had made DKK 61.4 billion worth of green investments.

At the same time, we demand that our portfolio companies start submitting accurate CO₂ data – in terms of scopes 1, 2 and 3. If we do not have accurate climate data, we will not be able to see whether ATP delivers on its ambition to reduce the carbon footprint of our equity and corporate bond portfolios by 70 percent by 2030. As for the real estate portfolio, the ambition is to reduce the carbon footprint by 85 percent per square metre by 2030.

Processes

As a result of our new climate ambitions, ATP has established new processes to continuously map the development of company reporting to show us where we need to step in to push the development.

Climate considerations are broadly integrated into ATP's investment processes and have been so for several years. The areas in which ATP continues to develop its practices relate to other environmental considerations, such as biodiversity, waste, etc. In this connection, data remains a challenge, but we are constantly exploring the possibilities of addressing the topics.

In 2021, ATP took a number of steps with regard to green bonds. During the year, we reallocated our portfolio of corporate bonds, and it now consists of green bonds that we have screened ourselves.

In our real estate portfolio, in 2021 we focused on physical climate risks through a policy which sets out how ATP works to protect our buildings from, for example, storm surges and rising sea levels. Finally, we have mapped out how green transition in the transport sector might affect our portfolio.

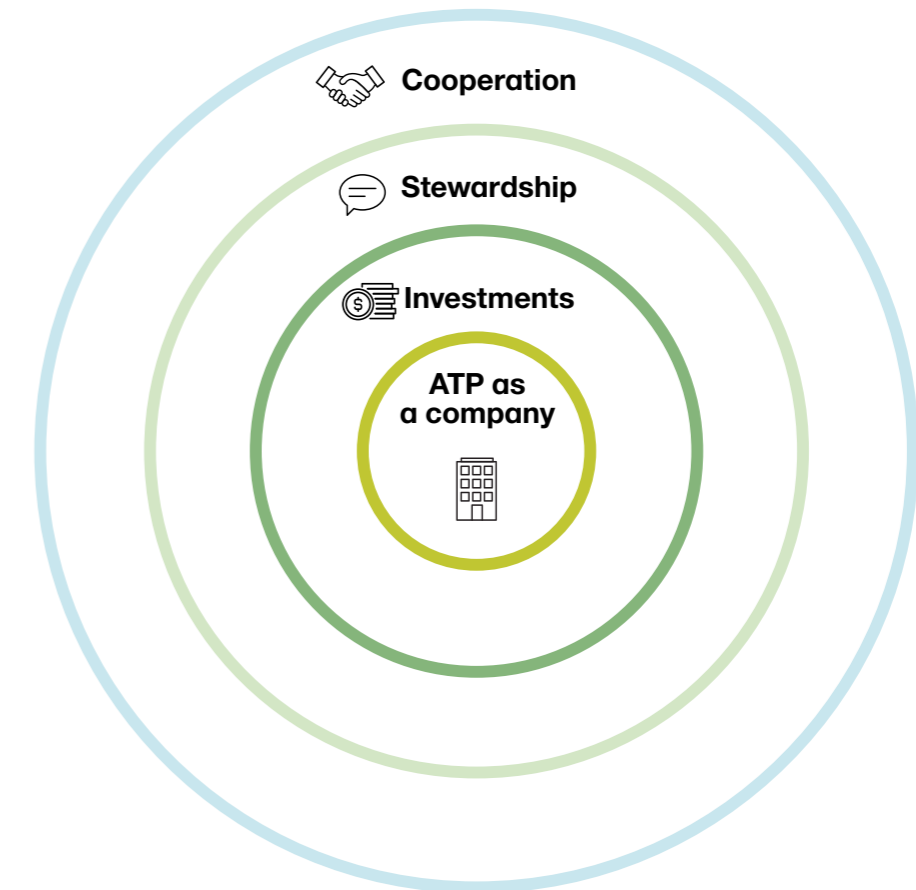
Activities

Since 2018, ATP has made an effort to map high-emissions industries in the portfolio, and in 2021, we focused on the transport sector. Transport is a highly complex industry which affects all parts of the portfolio in many different types of companies.

We continued our work on biodiversity, and we engaged in a dialogue with a number of companies about challenges and opportunities relating to biodiversity. We also looked at risks

relating to water scarcity and air pollution that with the last four taxonomy targets will get even more attention in the future.

ATP constantly gets more CO₂ data from the illiquid portfolio, increasing the ability to engage in a dialogue with companies about their carbon footprint. In the liquid portfolio, we have gone from using location-based to market-based data, which this year has produced a decline in several parameters in ATP's CO₂ reporting.



ATP's responsibility is about what we do ourselves, how we invest, how we manage our stewardship activities and the way we work with others.



For ATP, ESG is about moving companies in a better direction so as to benefit society at large, the company itself and, finally, ATP as an investor. Some companies have made more progress than others, but for us, it is about ensuring that they take their part of the responsibility for the ESG transformation.

Ambition of DKK 200bn in green investments in 2030	DKK 61.4bn in green investments as at 31/12/2021	New portfolio of green corporate bonds
A decrease of 6.3 per cent in total emissions from the equity portfolio in 2021	DKK 900 million in additional investments in sustainable batteries in 2021	New guidelines for physical climate risks in real estate

Climate ambitions need to have a real impact

In 2021, ATP participated in the COP26 climate summit in Glasgow, where CEO Bo Foged presented ATP's new climate ambitions to send a clear signal about how important climate change is to investors. As an investor, we can contribute with our financial muscle which can accelerate the green transition, but at the same time, climate change can also have a major financial impact on the pensions that we need to pay to our members over the next many years.

Our ambition of reaching DKK 200bn in green investments in 2030 is an expression of our strong belief that the winning companies of the future will be those who think in green terms. We can also make capital available to the companies that will be providing the technological solutions that will really dial up the intensity of the green transition.

However, the Glasgow climate summit also showed that there is still a lack of political will to help the world reach its targets. There has been promises made by countries around the world that will push things in the right direction. In this context, ATP and other investors can help to finance those promises so that they do not just become empty words.

for the green transition. However, if the right frameworks are in place, the green transition has many opportunities for investors that benefit both ATP's members and the climate.

Regardless of how the work on climate change takes shape in the coming years, climate change already now plays a role in ATP's investment processes where climate change is a factor in terms of transition risks and physical risks.

ATP's work is based on a holistic approach to how climate change and the fight to bring them under control affect both the Danish society and the rest of the world. The integration of climate change in investment analyses and investment decisions is not confined to selected asset classes or investments in particular sectors in society. On the contrary, our position is that climate change can directly or indirectly affect all the investments.

WHAT ARE CLIMATE RISKS?

Climate risks can be divided into two overall categories – transition risks and physical risks.

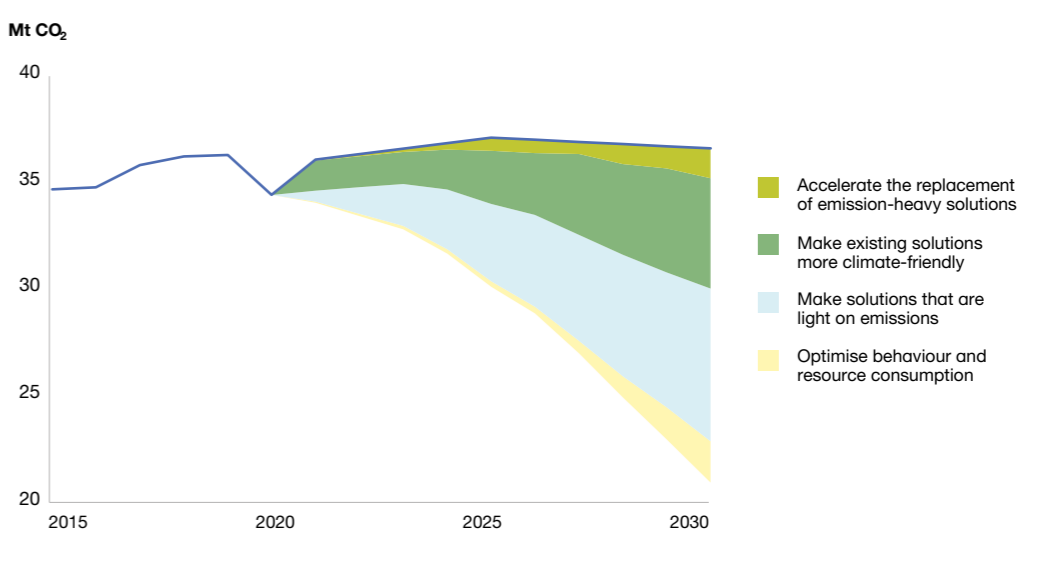
Transition risks are risks that originate from the transition to a green economy. This might be political initiatives that makes new demands on business models or new technology that outcompetes existing technology. It is therefore indirect risks that arise due to political, economic and technological adjustments to climate change.

Physical risks are risks that arise as a consequence of climate change. This might be risks of flooding of buildings, changes in crop yield, drought, forest fires, etc. that directly or indirectly impact a company financially.

ATP's ambition is to have DKK 200bn in green investments by 2030

It is important to emphasise that politicians are the ones responsible for creating the frameworks for the green transition so that private investors and companies can help solve the challenges. However, if politicians fail to create the right frameworks, ATP cannot justify risking people's pension savings. Therefore, ATP's ambitions, just like the rest of the Danish pension industry, are contingent upon political support

All companies must become greener



The differences in emission reductions in the IEA's Net Zero Emissions Scenario compared to the Stated Policies Scenario divided into categories of reductions.

If the world is to meet the target of keeping global temperature increases below a maximum of 1.5 degrees Celsius, it is important to keep all options open. The International Energy Agency (IEA) made it clear in its pivotal World Energy Outlook report that it is not just about replacing carbon-intensive forms of energy with climate-friendly technologies, it is also about making the carbon-intensive technologies more climate friendly - 'make dirty cleaner'.

Therefore, ATP's ambitions are also twofold: we will allocate money to green investments, but we also need to work with the companies in our portfolio to ensure a broad contribution to the green transformation.

Strong climate ambitions

In 2021, ATP made public a number of ambitions for our future efforts to address climate change. We will increasingly be making green investments and imposing requirements for our portfolio companies' work with the green transition.

In addition to financial ambitions, ATP will also make demands on all the companies ATP invests in to report as early as 2025 on their CO₂ emissions. It needs to be measurable how much a company is impacting the climate so that it can be minimised. At the same time, this also allows ATP to measure the climate footprint from its portfolio in the context of its ambition to reduce emissions by 70 per cent in 2030 and being carbon neutral in 2050.

In 2025, the ambition is for ATP to have DKK 100bn in green investments and by 2030, that figure is to grow to DKK 200bn (the figure today is DKK 61.4bn).

With current developments in the market for green technology, we are convinced that we can find investments that both help the climate and generate good returns for our members.

HOW ATP MEASURES ITS GREEN INVESTMENTS

The EU's work on creating a green taxonomy is still ongoing, but ATP has still chosen to use the taxonomy as inspiration in order to ensure that our green investments can be measured in a way that adds as much credibility to our ambitions as possible. It will therefore be possible for external parties to test ATP's measurements and reach the same result.

Green bonds: Measured as the green bonds that comply with ICMA's Green Bond Principles and ATP's own principles (which are more restrictive).

Real estate: Measured as the real estate that is certified based on the internationally recognised standards: DNGB, LEED and BREEAM.

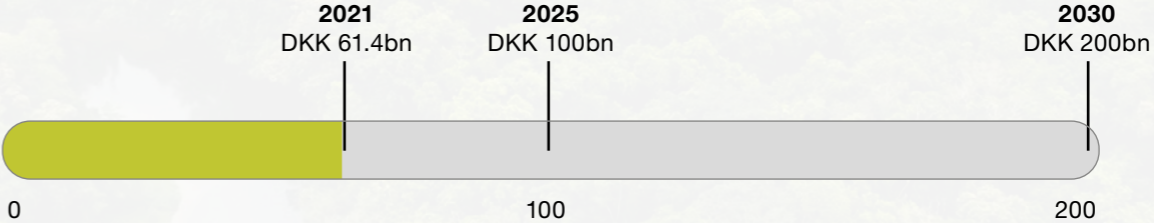
Listed equities: Measured based on preliminary estimates on taxonomy alignment from a recognised data supplier (MSCI).

Direct investments and funds: ATP's Chief Investment Officer designates green assets that would presumably be covered by the EU's taxonomy for sustainable investments. ATP only includes these investments if their likely degree of compatibility with the EU's taxonomy for sustainable activities is verified by an external consultant.

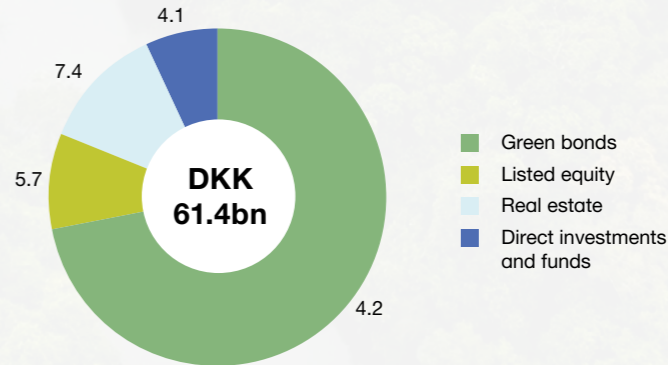
The ambitions are subject to a number of preconditions, including political and economic developments, and these are available on ATP's website. ATP publishes a combined figure for the green investments and separate figures for the individual categories. Due to market considerations, we do not publish details about companies.

Status of ATP's climate ambitions

ATP publishes for the first time a total figure for our green investments, and will in future publish status each year.



ATP's green investments in 2021, DKKbn



Five questions for ATP's CEO, Bo Foged, about climate ambitions



SO IT IS ONLY ABOUT BUYING GREEN COMPANIES?

If we are to succeed with a green transformation of our investments, we need to do more than just replace black with green. Doing so might make ATP greener, but it will not make the real world greener - we need to contribute to making all companies green. Therefore, one of our requirements for the companies is that they need to report on their carbon footprints before 2025. This will make us more knowledgeable about our investments, but even more importantly, it will provide the companies with the data they need to base their decisions on.

WHY SHOULD ATP GET INVOLVED WITH CLIMATE ISSUES?

We simply cannot afford not to be involved - 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 will be an amazing business opportunity in terms of creating good returns over the next many years. Not least, this is because many different sectors need to find new commercial solutions for existing climate challenges. At the same time, climate challenges also pose a significant risk for our investments, and we need to take this into account.

WHY DOES THERE HAVE TO BE PRECONDITIONS - CAN'T YOU JUST PROMISE TO MEET YOUR TARGETS?

Preconditions are necessary, because there are several considerations to balance, for example, considerations between the climate and returns. We want to help the green transition, but we cannot push the boulder in front of us alone. Politicians need to step in and ensure the right frameworks are in place. ATP also has a business model that is very sensitive to interest rates, which means that if interest rates rise, our assets will decrease and then 200 billion Danish kroner will suddenly be a bigger proportion of our assets. But because it is important for us to be credible, we are also open about our need to be balanced - and honest - in our approach.

DOES ATP 'TAKE ITS OWN MEDICINE' AS A COMPANY?

We do our best to do so. We all need to work together to address climate issues. For example, ATP's headquarters building in Hillerød is quite old, so we are continually looking at how we can optimise energy efficiency and make the building more sustainable. At the end of 2021, we placed solar panels on the roof of the building, and on days with a lot of sunlight, it will produce all the power consumed at ATP's headquarters by the more than 1,000 people working there.

WHAT DO YOU IMAGINE THAT ATP NEEDS TO BUY TO FULFIL ITS AMBITIONS?

With our green bonds, we have shown that we are capable of contributing to developing a market by making demands on the issuers. And of course, we will continue to be an active player in the market for green bonds, which will develop significantly in the next few years. But we also need to dare to engage with the companies where the technology might not quite be there yet, but where there are prospects of major gains - both in terms of CO₂ reductions and growing pension savings. For example, this might be companies such as Green Hydrogen Systems which works with new technologies that are critical to the success of the green transition.



In 2021, ATP installed solar panels on its headquarters building in Hillerød

Companies must be aware of their climate impact

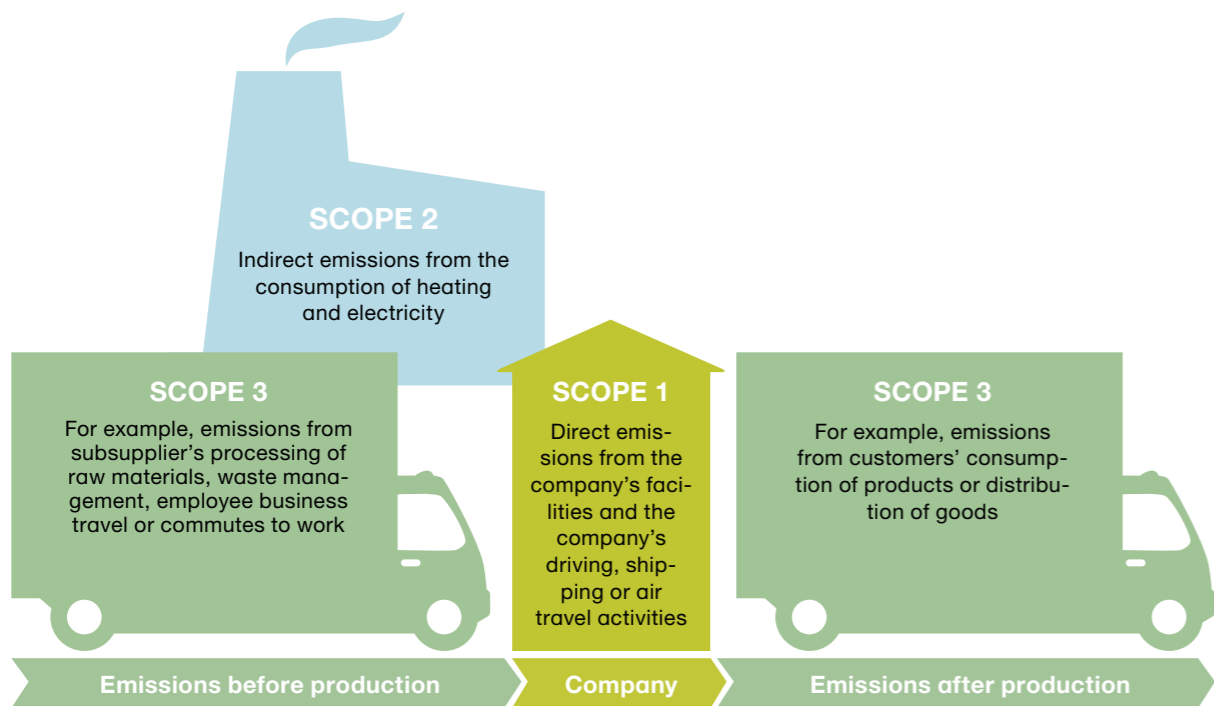
One of ATP's climate ambitions is for all companies in the portfolio to be reporting on their CO₂ emissions in 2025. Currently not all companies report on their CO₂ emissions, and those that do, often report in an incomplete manner.

reduce the carbon footprints from our investments, but we also want to ensure that this is from real emissions and not 'virtual emissions', where ATP 'sells' emissions to other investors - because that will not solve the climate crisis.

We believe that companies need to be aware of their own emissions before they can begin meaningfully working on reducing their emissions. This is particularly important, as many companies have emissions from sources outside of their direct control, also known as scope 3 emissions.

Another challenge is that ATP presently only has real emission data for just under 80 per cent of our listed investments and there are also challenges related to data from corporate bonds and real estate investments. Therefore, our baseline for our CO₂ reduction targets is also based on a portion of real emissions figures and a portion of estimated emission figures.

Lack of reporting is also a challenge for ATP when we need to measure the carbon intensity of our portfolios. We want to



It is important that companies focus on all three types of emissions. The emissions should be measured based on the principles of the GHG Protocol, which contains 15 different categories for measuring scope 3 emissions. Scope 3 emissions are an important factor when it comes to understand a company's emissions, as there can be differences in the companies' value chains. A company that, for example, ships its products itself will have higher scope 1 emissions than a company that uses external suppliers for their shipping needs which would be categorised as scope 3 emissions.

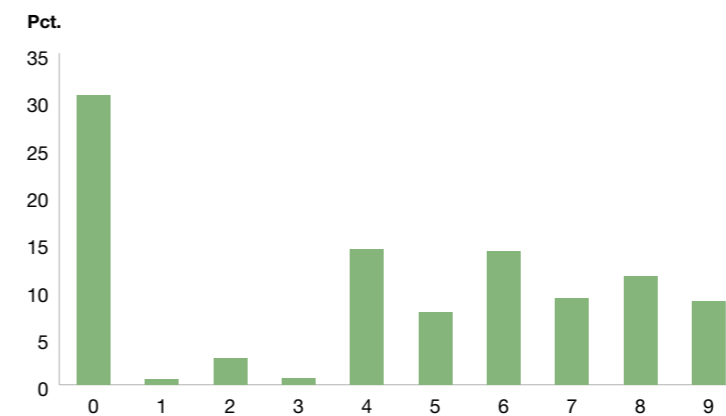
STATUS OF CLIMATE REPORTING FOR ATP'S LISTED PORTFOLIO

ATP has made a model where we categorise companies based on their current levels. Every scope gets between 0-3 points, and the points are then added together to find the overall level of reporting. Nine points can be achieved if a company reports sufficiently on scope 1, 2 and 3 emissions.

The goal here is for companies to work on improving their reporting based on their current status, but there is also an expectation that everyone keeps improving.

	Assessment of scope 1	Distribution	Assessment of scope 2	Distribution	Assessment of scope 3	Distribution
0 points	No reporting	31.3 per cent	No reporting	31.8 per cent	No reporting	50.5 per cent
1 point	Only reporting on a single figure for Scope 1+2	4 per cent	Only reporting on a single figure for Scope 1+2 Does not specify whether scope 2 reporting is market-based or location-based	41.4 per cent	Only reporting on a single figure for scope 3 (without specifying the distribution between the various subcategories)	9.2 per cent
2 points	Does not report on a company-wide basis	0.0 per cent	Does not report on a company-wide basis Is only reporting on one of the figures: Market-based or location-based	3.8 per cent	Is reporting on some, but not all, relevant scope 3 categories	24 per cent
3 points	Is reporting on a single company-wide scope 1 figure	64.7 per cent	Is reporting on both company-wide, market-based and location-based figures	23 per cent	Is reporting on all relevant scope 3 categories and, if not needed, states which subcategories are not applicable	16.3 per cent

Distribution of listed companies based on points



The first review of ATP's listed investments show that a large portion of the companies still have not started reporting. It is also evident that there is a great deal of variation in terms of how well companies are reporting. However, there is a trend that shows that once companies begin reporting, they achieve at least 4 points. Companies who have achieved a 9-point rating (maximum) include Ørsted, Maersk and Coloplast.

Future-proofing ATP properties

In the past few years, Denmark has been hit by a number of wild weather events such as torrential rains and storms with subsequent storm surges. This has caused billions of Danish kroner in damage and has also had personal consequences for those whose homes and workplaces were impacted. It has also had consequences for the real estate that ATP owns across Denmark.

As a responsible real estate owner, we are continually working on protecting our real estate, but the wild weather events further accelerated an investment-heavy, but necessary, effort. We therefore began to work on analysing the entire portfolio to determine how the individual buildings would fare against the extreme weather events that are created by climate change.



” It is hard to find a ‘one size fits all’ solution for climate proofing. The initiatives depend on a lot on the age and location of the building and what is possible in closely populated areas such as Aarhus and Copenhagen, where most of our real estate is located. Our climate proofing work is done in close collaboration with the authorities who are also hard at work on implementing measures to future proof the city against serious weather events.

Ole Witthøfft Hansen, Department Head at ATP Ejendomme's operations department

We have compared the results of our analysis with predictions from DMI (Danish Meteorological Institute) and the UN for once-in-50-years and one-in-a-century events. This has provided us with an overview of the climate proofing work that is needed on individual buildings and we also have an indication of what order we should prioritise the tasks by.

For us, managing climate risks is about both protecting the long-term value of our real estate investments and also ensuring that our customers feel safe.

Climate proofing is not just about individual buildings, it is also about the interaction between the surrounding buildings, roads and pavements and, not least, the sewer system. Therefore, it is important that the work has a holistic approach and that it includes good dialogues with authorities and neighbours.

At Christianshavn in Copenhagen, there is a hidden well that can hold large amounts of water in the event that torrential rain hits Copenhagen. Under normal weather conditions the well water flows out naturally and does not rely on pumps. However, when there is torrential rain or other extreme weather events, the well will automatically shut off the waterflow and the water levels will begin rising. Sensors register when the well is full, and then it asks the pumps to begin pumping the water out.

There are also simpler and less technical solution than wells in place when it comes to protecting real estate at Christiansbro, which includes the new hotel, NH Collection Copenhagen, which ATP owns. For example, there is an extra high step to the hotel's restaurant which is to ensure that guests do not get their shoes wet when enjoying a dinner at the restaurant. Even more importantly, however, the step protects the inventory from begin damaged, reduces the likelihood of technical installations short circuiting and also reduces the likelihood of the hotel and restaurant having to close if we get another torrential rain like in 2011 - or an even worse weather event. The area around the hotel is also elevated by 40 cm from the edge of the pier to the buildings. This is to prevent water from entering the hotel's parking basement or other low-elevation entrances.

NEW GUIDELINES FOR PHYSICAL CLIMATE RISKS

The latest climate report from the UN's climate panel, IPCC, emphasised that climate change is man-made and that we have to expect that climate change will occur faster than previously assumed. For many years, ATP has worked with protecting the real estate portfolio from things such as torrential rain and floods. In order to make this work even more effective, in 2021 ATP prepared separate guidelines for managing physical climate risks. The guidelines form the framework for how to identify, assess and - as needed - mitigate relevant risks.

The physical risks are identified based on analyses made by entities such as the UN's climate panel and DMI which conclude that how the future climate will be depends a lot on greenhouse gas emissions which result in rising temperatures and which trigger extreme weather events and/or permanent shifts in the climate.

At present, ATP has identified the following (increased) physical and insurance-related risks that could potentially result in negative financial and/or reputational consequences for real estate and its owners:

- Torrential rains (extreme amounts of rain in a short timeframe) - risk of water penetrating into the building from the top or bottom
- Floods (elevated water levels in oceans, lakes and streams) - risk of water damage
- Storms/hurricanes/tornadoes (increased frequency and wind speeds) - risk of damage to buildings and people
- Storm surges - risk of water damage
- Greater temperature fluctuations (periods of extreme heat or cold) - more demand is placed on heating/cooling units
- Water shortages (reduction/drying out of freshwater reservoirs) - sprinklers might be shut off
- Drought (drying of the surface) - risk of settlement damage
- Increased frequency of/stronger thunder storms (lightning strikes) - risk of fire
- Higher insurance premiums (to take into account higher risk) - higher costs for owners/renters
- Lack of insurance cover (insurance companies consider the risk to be abnormally high) - “self insurance”

From green to sustainable bonds

Since 2017, ATP has been a major investor in the market for green bonds, which has really taken off in the past few years. We have provided capital to green projects and pushed for robustness and transparency in the market for green bonds.

This year we have taken it a step further. From only investing in green bonds, we are now also beginning to look at sustainable bonds. This means that there are now also social and sustainable bonds in our portfolio. Even though these bonds share some common characteristics with the green bonds, we have still had to learn about new methods and metrics.

After all, ATP's overall principles remain the same. We need to generate a return that is in line with the risk, and we want to be sure that we are not buying bonds from issuers who promise more than they can keep. If we do not ensure that



” With our green bonds, members will get both a greener portfolio and a more robust portfolio that is better suited for the green transition. At length, we also believe that this will generate higher returns for our members.

Lars Dreier, Director Fixed Income

THE EU SURE PROGRAMME

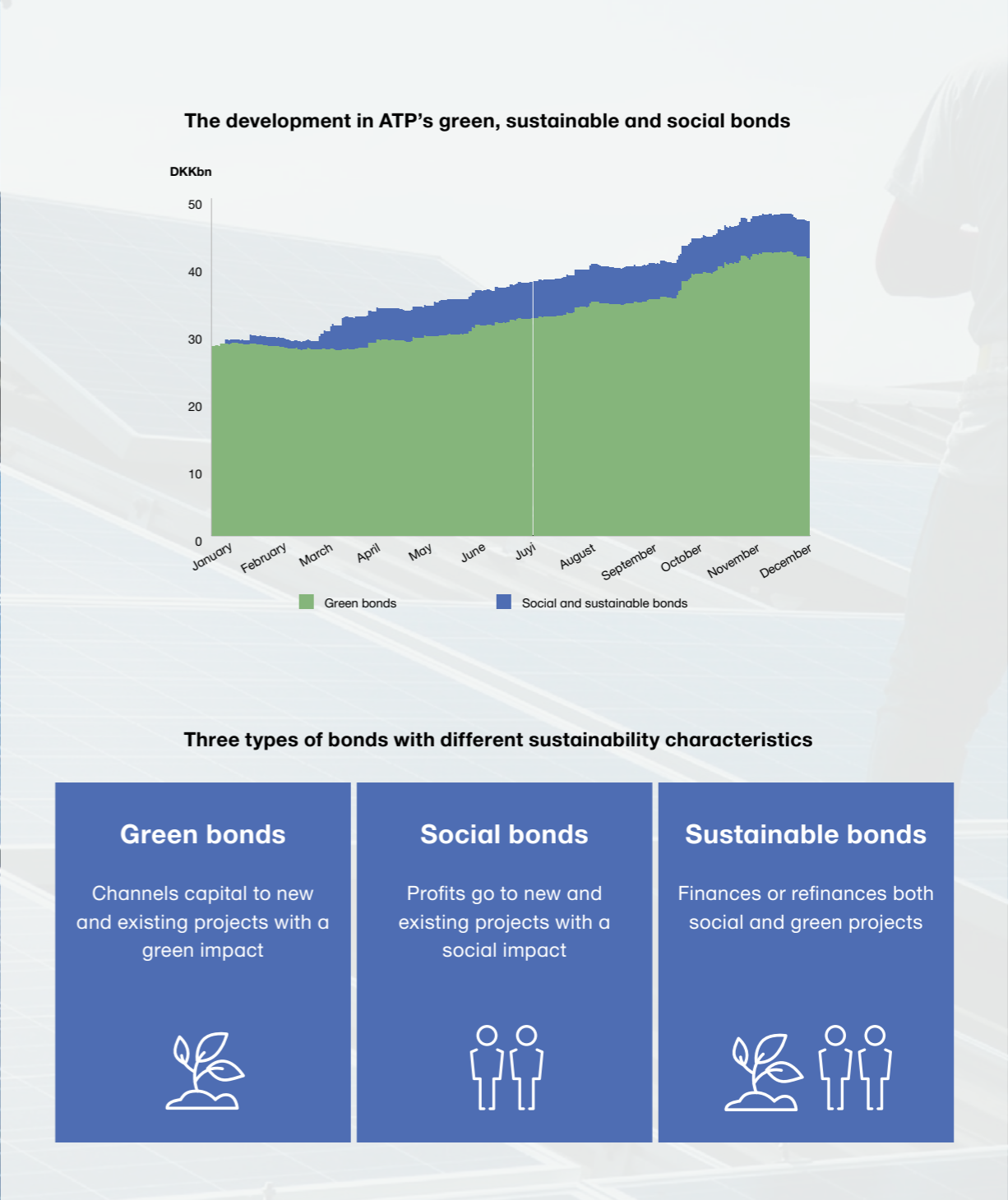
EU SURE (social) bonds were issued in 2020 and are intended to protect workplaces and support employment during the corona pandemic. The profits go to the EU member states and the bonds help finance aid packages implemented due to the pandemic. This may include providing support to companies who furlough workers and health initiatives to ensure that it is possible to return to the workplace. Thus, the bonds have contributed to the basic financial security of the European Union member states during the pandemic.

our green investments are in fact green, then we contribute to making people question the credibility of the green transition.

One of the greatest challenges with social bonds is that the social impact is significantly harder to define and measure compared to a green impact. It is easier to monitor the kilowatt hours produced by a wind turbine than it is to monitor the social impact of a hospital or a school. However, just as the market for green bonds went through a maturation process, we also expect that the same will take place for social bonds and ATP wants to contribute with knowledge to this process.

When it comes to green bonds, we consider the framework, project selection, revenue management and reporting, and it would be natural to apply the same parameters to other types of bonds.

We are also continually keeping an eye on the regulatory developments. The EU is currently working on preparing a green taxonomy that defines what can be categorised as a green activity. The taxonomy will become one of the elements of the EU's Green Bond Standard, which ATP expects to be the defining standard in the future. There is also a social taxonomy that is being worked on in the EU, but it is still uncertain how it intends to define the social activities, including how to document the social impacts.



The transport industry is an important but complex part of the green transition

ATP has long been focused on industries with high CO₂ emissions. After we first published our portfolio's carbon footprints in 2017, we decided to look at the utility companies in our investment portfolio in 2018. In 2019, ATP published its first mapping of our investments in fossil fuel extraction activities across asset classes. Since then, we have mapped our exposure towards other carbon-intensive industries to give an indication of ATP's risks in specific sectors. In 2020, we reviewed our investments in cement, steel and petrochemicals and we found that our investments in steel and cement were not that large, but petrochemicals are a very complex industry that our investments had exposure to in various ways.

It is important for ATP to broadly examine our investments, as climate risks may appear in different ways in different industries. Even companies that at first glance seem to have low carbon footprints can have large scope 3 emissions in their value chain and due to that, be exposed to regulations targeting CO₂ emissions.

In 2021 we also took a look at the transport sector. This is a wide area to cover, as it includes both passenger transport ranging from tourism to daily commutes and also the transport of goods. The corona crisis has shown how important transport is to our everyday lives. Our opportunities for travel have been limited, but the crisis also showed the importance - and fragility - of the global supply chains.

From 2019 to 2020, the global emissions from the transport sector fell by 13.5 per cent due to the corona lockdowns.

We saw the large impact the transport sector had on CO₂ emissions in the wake of the first corona lockdown, where the

oil price fell to around 10 USD due to a very rapid decrease in demand. Conversely, we have also seen oil prices rise rapidly as many places began returning to normal everyday life.

The transport sector is one of the keys to succeeding in the green transition, but it is also an incredibly complex sector to transition, as it touches upon virtually all aspects of our society.

DIALOGUE WITH DANISH TRANSPORT COMPANIES

In 2021, ATP has had a particular focus on the green transition in its dialogues with Danish companies. All of the companies indicated that they were capable of offering green solutions, but in order to really get moving with this, there also has to be a demand for green transport solutions. Many companies are looking for sustainable transport solutions, but it is important that the demand is not just from high-profile companies such as those in the fashion industry - the demand needs a broad basis.

Another challenge is to transition the sector's infrastructure to use new technologies. It is one thing to buy the ships or trucks that can run on green fuels, but there also needs to be somewhere to refuel or recharge the batteries. Therefore, the companies that provide the infrastructure also need to retrofit their operations so that they are ready to work with new types of fuels.

As an investor across the transport sector, ATP can help to steer this development by entering into dialogues with the companies throughout the entire transport sector.

MAPPING INVESTMENTS IN THE TRANSPORT SECTOR

The transport sector is interesting to map from a climate perspective, as the industry is highly complex and is directly correlated with the extraction of fossil fuels. According to the International Energy Agency, the transport sector represents 21 per cent of the global CO₂ emissions. In 2020, we saw how global CO₂ emissions briefly dipped as the need to transport people dropped rapidly for a certain period. However, the global supply chain crisis of 2021 has also shown that there remains a great deal of demand for the transport of goods.

In order to include the entire portfolio, we chose to create four groups of companies that are all involved in the transport of people and goods.

1. Providers of transport services

This group includes companies that provide transport services. It mainly consists of Danish companies that are heavily weighted in ATP's portfolio such as Nordic Transport Group, DFDS, DSB and Mærsk. These companies have seen their share prices rise rapidly due to the increasing demand for transport services in the wake of the corona pandemic. Of the DKK 11,000bn that ATP has invested in companies that provide transport services, around 70 per cent are invested in the four companies above.

2. Users of transport services

The demand for transport is extremely complicated to map, as all companies and private individuals use transport services. We have in particular been looking at the major buyers of transport services such as clothing companies, supermarkets, etc. Here, the analysis shows that we have invested DKK 22bn in companies that are a major source of demand for transport services. These include companies such as H&M, Tesco, Carrefour and Johnson & Johnson. It is important to focus on the demand side of transport, as those buying the services need to be the ones that reward the companies that take the lead when it comes to offering green transport solutions. Therefore, ATP also wants companies to publish their scope 3 emissions based on the recognised GHG Protocol, as the emissions from transport services would otherwise be hidden from investors, customers and other stakeholders.

3. Technology

There are two kinds of technology at play in the transport sector. There are the companies that provide existing technology such as combustion engines to cars and trucks, some of which are also investing in low-emission technologies. These include well-known companies like Toyota, VW and Volvo. In total, ATP has invested DKK 2.1bn in shares of companies that supply technology to the transport sector. Then there are also companies that are betting 100 per cent on becoming part of the green transition in the transport sector. For example, ATP has invested in the battery producer Northvolt, which we invested an additional DKK 900 million into in 2021. Our investment in Green Hydrogen Systems can also in the end contribute to moving heavy transport services in a greener direction when Power-to-X technologies have their anticipated breakthrough.

4. Infrastructure

As an investor, it is important to also look at the infrastructure for the transport sector. This includes highways, gas stations, airports, etc. Here, as a co-owner of airports and highways, ATP must continually assess how the technological changes impact our investments. Overall, our assessment is that most transport infrastructure will still be in demand regardless of what type of technology is used and thus be a robust long-term investment.

Green bonds provide a more robust portfolio

In 2021, ATP has been working on restructuring its corporate bonds portfolio away from a traditional externally managed portfolio towards an internally managed portfolio focused on the green transition. Our expectation is that the companies issuing the green bonds will perform better because they are better equipped to face the green transition and thus a better long-term investment for our members.

We have used our experiences from investing in green bonds in governments and development banks and have the same requirements for our green corporate bonds that we have had for our other green bonds for a number of years.

However, there is one fundamental difference between the green bonds that we buy from public and semi-public entities and the green bonds issued by companies. Whereas public companies typically finance activities that are outside

ATP CONTRIBUTES TO BEST PRACTICE
ICMA (International Capital Markets Association), which is behind the Green Bond Principles, updated its principles this year to now encourage issuers to notify of their strategy for sustainability and how the green bond issues support it. This year, ATP will be participating in one of ICMA's working groups where we will, together with other actors, be part of further detailing this recommendation. This gives us a unique opportunity to be part of ensuring that there is a focus on the importance of green bonds being part of a comprehensive green transition and not just being related to a small green corner of the business.

of their own business activities, green corporate bonds typically finance activities in the issuing company.

It is our assessment that the market for green corporate bonds is still immature and that there will be more requirements for the companies in coming years. In order to build up a robust portfolio of green bonds, we are also looking more broadly at the companies' plans for the green transition before we invest in a green bond. This also allows us to ensure that we are not financing green bonds in companies if it would just free up capital to finance black investments elsewhere in the company.

We are therefore particularly focused on investigating the credibility of the issuers by looking at their ESG performance and their green ambitions across their whole range of business activities.

One example of this is utility companies that still use coal to produce electricity while working on the transition towards green energy. In such cases, we need to be sure that there is a long-term and credible plan to transition the company away from coal. The companies must also comply with our general requirements for utility companies.



” With our green bonds, members will get both a greener portfolio and a more robust portfolio that is better suited for the green transition. At length, we also believe that this will generate higher returns for our members.

Christian Kjær, Head of Liquid Markets



A real estate company with green aspirations
Gecina is a French real estate company that has chosen to requalify all of its outstanding debt (€5.6bn) to green bonds. This means that their former common bonds have now been converted into green bonds. This has been quite a long process, where investors have had to vote about the requalification. In the future, Gecina will only issue new bonds with a green stamp. This is a continuation of Gecina's Carbon Net Zero Plan, where the objective is to be carbon neutral in 2030. Gecina's requalification of all of their bonds is a reflection of the company's ambition to be a 100 per cent green company. Gecina is thus one of the first companies in the world completely financed by green bonds.

Support for the green transition and moving away from coal
E.ON is a German utility company that is in the midst of a green transition where its goal is to be carbon neutral in 2040 and to reduce its scope 1, 2 and 3 emissions before 2030. E.ON has a strategy for sustainability that creates a common framework for the work with sustainability across the company, focusing on climate, people and good corporate governance. Their green bonds play a key role in the transition by financing production of green energy from solar and wind, improving energy efficiency for both companies and public sector customers and green transport and electricity networks. It is particularly electrification that plays a core role in reducing CO₂ emissions by supporting a shift away from fossil fuels.

Dialogue provides knowledge and insight into biodiversity

At ATP, we are focused on biodiversity and how it impacts our investments. When ATP works with biodiversity, we are also focusing on the so-called double materiality. This means that companies depend on the planet's resources to produce their products or deliver their services. At the same time, companies have varying degrees of direct impacts on biodiversity. This is based on how they utilise the planet's resources and it thus also has a wider societal impact. If the planet's resources are exhausted and biodiversity disappears, there will not be enough commodities to produce goods with and there will be a lack of recreational areas as well.

Biodiversity is a very complicated issue and has far-reaching implications. There are many aspects of biodiversity to consider on land and in oceans, from country to country, from sector to sector, etc. IPBES has identified five threats to biodiversity (see the illustration). At ATP, we have decided to focus on land and sea use change (how land use is changing), as this is a threat that has the most direct impact on ecosystems and where our portfolio is most impacted by biodiversity.

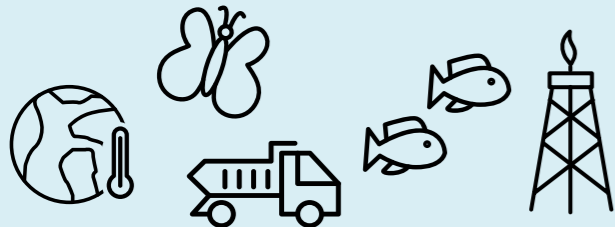
Changes in land use are mainly driven by agriculture, forestry and urbanisation and changes the environment that species live in by removing, fragmenting or reducing habitats. We have also narrowed it down to focus on the food & beverage sector, as this has the most exposure to both dependency on land and impacts on the land due to how land use changes. Biodiversity is very much a supply chain problem, as it is the suppliers who deliver commodities such as sugar, cocoa, wheat, etc. who provide what food & beverage companies need to make their products.

ATP's approach towards dialogues with selected companies is first and foremost to focus on how they manage biodiversity in their business activities. The second priority is to push companies towards being more considerate of biodiversity in order to protect the long-term value of their business.

Our approach is that we would like to learn from the best companies who have progressed the furthest in the work with ensuring biodiversity and then push those companies who have not come as far to follow suit. Even the best companies will also still have room for improvement.

FIVE THREATS TO BIODIVERSITY - LAND AND SEA USE CHANGE

IPBES (The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) has identified five threats to biodiversity. ATP has chosen to focus mainly on the land and sea use change, as this has the greatest impact on both ecosystems and thus also our portfolio.



PARTNERSHIPS TO ENSURE BIODIVERSITY

In an attempt to gain knowledge that we can use in our dialogues with companies, we have entered into a partnership with the Technical University of Denmark which has made an analysis of the certifications related to biodiversity. This has resulted in a report which makes us better equipped to have a valuable dialogue with companies.

ATP is also part of Making Oceans Count, which is a two-year partnership initiated by Green Digital Finance Alliance and which is headed by WWF Denmark and Copenhagen Business School. Here we gain valuable knowledge and understanding of our biodiversity risks related to the oceans. The MOC project is also focused on impacts and dependencies.

VOTING INTENTIONS FOR BIODIVERSITY ISSUES

In connection with the annual voting period, ATP sends its voting intentions to companies. This year, when doing so we have also asked a number of companies some questions about how they manage biodiversity. We have sent questions to about 80 companies and have at present received responses from 22 of them.

All companies agree that it is important to avoid loss of biodiversity, but their initiatives to address this differ. The greatest challenge in terms of biodiversity for the companies is in general how they measure impact, as there is no widely accepted tool for measuring this and thus it is hard to establish a baseline to base targets on.

One area where it is typically already now possible to specify targets is in relation to certifications and traceability in the supply chain. In addition, there is a focus on not operating in conservation areas - i.e., areas that are protected due to their biological, ecological or cultural value or because of the natural beauty of the area.

Company 1

One of our companies that produces paper and paper pulp uses wood as its most important raw material, and therefore, it depends a lot of healthy and strong forests that can maintain productivity in the long run. Biodiversity is thus a very material sustainability topic. As a result, they have a strong focus on minimising their negative impacts on biodiversity both in their own forests and among their external suppliers. Certifications and traceability are some of the tools they use to ensure that the wood they use is from sustainable sources and also to ensure that they are minimising the negative impacts and maximising the positive impacts on biodiversity.

Company 2

Another company is a mining company where the loss of biodiversity from mining operations can result in them losing their "social licence to operate" - i.e., they can lose the support of the local community which they depend a great deal on in order to keep operating in the area. A mining company has a very large impact on biodiversity, and the company is particularly focused on not touching protected areas and migration routes, on using the most secure and gentlest technologies and on restoring as much land as possible after the extraction of raw materials ends.

Company 3

A Japanese food company depends a great deal on palm oil in their production processes. The company has made a risk analysis of its commodity purchases and in that context noted that purchasing palm oil has a very large impact on biodiversity. As part of ensuring that the palm oil they purchase is certified, the company has joined the RSPO - Roundtable for Sustainable Palm Oil. The company's target is for all purchased palm oil to be "100 per cent sustainable" in 2030. At present, 26 per cent of their purchased palm is RSPO certified. RSPO creates global standards with its over 4,000 members who are all somehow connected to the palm oil value chain and which are working on certifying palm oil production (18.7 per cent of palm oil produced in the world is certified).

There is a major green potential in geothermal energy

In January 2022, ATP was able to reveal an investment that has been worked on during 2021 - an investment in a company called Innargi, which is to build and operate a geothermal plant which will be able to supply district heating to Aarhus and replace biomass fuel from 2025. In 2030, 20 per cent of the district heating in Aarhus is to be from geothermal energy.

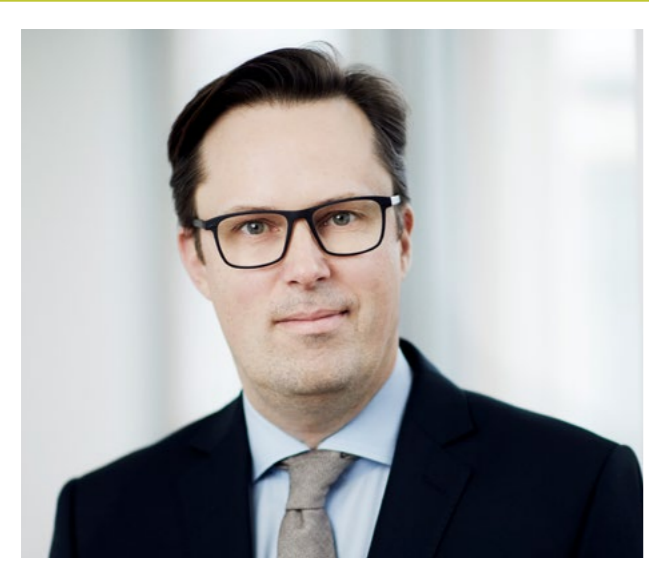
ATP is buying 37 per cent of the company and will join as an owner together with the energy company NRGi and A.P. Møller Holding, which have so far been the owners. At length, it is expected that geothermal energy can be distributed to both other Danish cities and other European urban centres.

GEOHERMAL ENERGY IS PART OF THE TAXONOMY

ATP has every reason to believe that the geothermal plant will qualify as a green investment in the EU's green taxonomy, where the requirements for geothermal energy is that the average emissions need to be below 100g of CO₂/kWh. In addition, the investment must comply with a number of "do no significant harm" criteria in terms of, for example, water, pollution and biodiversity.

FACTS ABOUT GEOTHERMAL ENERGY

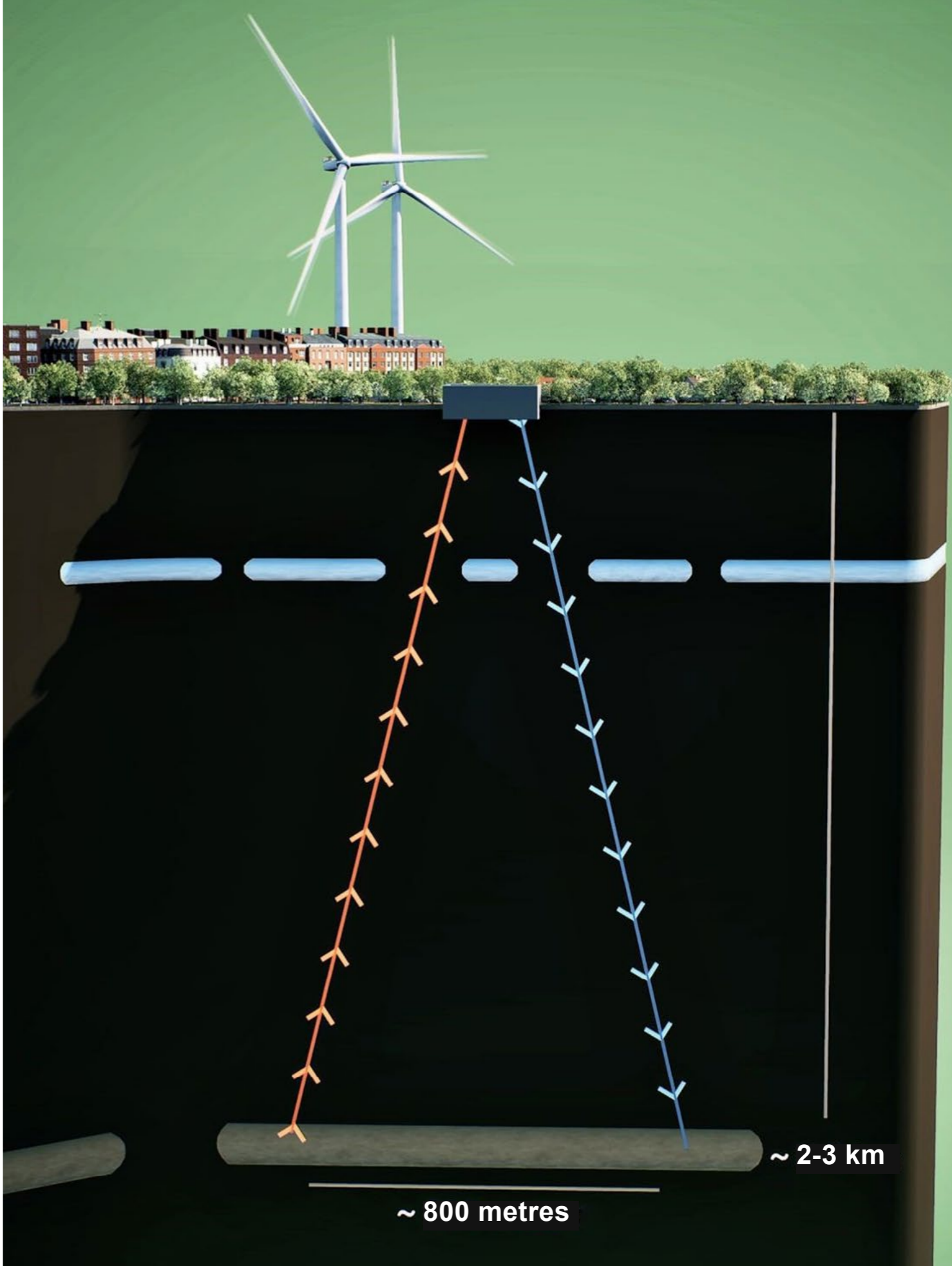
- Geothermal energy is from the planet's core and can be used for district heating
- Geothermal energy is included in the EU's green taxonomy
- The water in the reservoirs that have the potential to be used to extract geothermal energy in Denmark is at between 40 to 80 degrees Celsius
- Reservoirs with the potential to be used to extract geothermal energy are found in depths of 1,000 - 3,000 metres in Denmark.
- Up to 30 per cent of Denmark's district heating could be powered by geothermal energy - this would be around 600,000 households
- Geothermal energy can provide heating regardless of whether the sun is shining or the wind is blowing, and this is why it is used as a basis for heating that can replace coal, gas and biomass.



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With our new climate ambitions, ATP is really getting involved in the green transition. However, this must not be done at the expense of returns. There are, of course, risks associated with such a project, but with the potential of this investment, we can also look forward to a really good return. We have found some reliable partners that we are sure are the right ones to turn these ambitions into reality.

Mikkel Svenstrup, Chief Investment Officer at ATP



A geothermal plant consists of at least two underground wells and one aboveground plant. The geothermal water circulates in a closed circuit. The water is brought up via a production well and using heat exchangers and heat pumps, the energy is transferred to the district heating system. A heat pump ensures that the district heating water has the right temperature and pulls excess heat from the geothermal water. Then the cooled geothermal water is pumped directly back into the ground via an injection well.

New topics are intended to make the taxonomy broader

In 2021, ATP has been anticipating the completion of the EU's work with a taxonomy for sustainable economic activities by investigating how ATP's portfolio is exposed to the remaining taxonomy elements from a risk perspective. Whereas the goal of the taxonomy is to push financing towards sustainable activities, we also believe that the taxonomy can be used to reveal the risks for the companies that are exposed to the elements of the taxonomy. Therefore, we have analysed our portfolio to uncover water and pollution-related risks.

The goal of EU's work with sustainable financing is to transform the EU into a modern, resource efficient and competitive economy. The taxonomy for sustainable economic activities is to help realise this by pushing financing towards sustainable activities. The sustainable activities are defined in six different categories, of which the first two are climate action and climate adaptation.

The work on completing the final four categories was begun in 2021, where the EU's Platform on Sustainable Finance presented its first proposals for a taxonomy for water, circular economics, pollution and biodiversity. The hope is that the remaining four taxonomies can show investors where they can make a difference for other environmental problems while also making sound investments.

THE TAXONOMY IS TO PROVIDE A COMMON LANGUAGE

There are different expectations for which technologies the taxonomy will cover, as particularly natural gas and nuclear power have been hotly debated. As an investor, ATP will be obliged to report based on the taxonomy adopted at the political level, but ATP does not have to invest in all activities covered by the taxonomy. Therefore, ATP will only invest in the taxonomies where we believe there is the greatest potential for returns.

THE TARGETS FOR THE FINAL FOUR TAXONOMIES IN THE CURRENT DRAFT VERSION

Water

Ensure good conditions in all marine areas in 2027 at the latest and a good environmental status in all ocean areas as soon as possible and prevent a deterioration of wetlands in good status and ocean areas in good environmental status.

Circular economics

In 2030, economic growth is no longer to be tied to the extraction of non-renewable resources and the exhaustion of renewable resources is to be reversed. In 2050, economic activity is to be virtually completely independent of resource extraction via environmental designs for a circular economy that removes waste and pollution, recycles materials and products at the highest possible value and regenerates ecosystems.

Pollution

In 2030, sources of pollution, inventories of pollution and polluting activities due to human actions must be fully identified and measures are to be put into place to prevent and remove pollution from the air, water and soil and also living organisms and food sources. In 2030, the production of chemical compounds, materials and products must be secure and taxonomy aligned.

Biodiversity

It must be ensured by 2050 that all of the world's ecosystems and their goods are restored to a good ecological status - resilient and sufficiently protected. The targets for the EU's biodiversity strategy are to be fulfilled by no later than 2030. From today, the world's biodiversity must begin to recover, and from 2030, it is to be ensured that there is no deterioration of conservation trends or the status of all protected habitats and species.

ATP's translation of the targets for the final four taxonomies

Portfolio risks from water scarcity and pollution

While we are waiting on a final version of the last four taxonomies to indicate what the opportunities are, ATP has made an analysis of its portfolio focused on risks associated with water scarcity and pollution. In this analysis, we have looked at the specific risks faced by companies operating from locations where there are issues with water or air pollution. We have also used SASB's materiality framework in order to assess whether a company is in an industry where there are material risks due to water scarcity and pollution.

Specifically, we have looked at the two risks factors that indicate which countries have specific risks. We have then compared this data with companies in our equity portfolio and the physical locations of their assets. This provides a general overview of which parts of ATP's equity portfolio is exposed to water and pollution risks. On a big picture level, the analysis shows that ATP has a relatively limited exposure to risks from those two factors when considering the combined analysis including both industry and geographical data.

Water scarcity

Assesses the total water consumption relative to the annual water coming in and considered in light of the companies that need water for their operations.

Here the analysis shows that, for example, Texas Instruments (which is an ATP portfolio company) risks being impacted by water scarcity. This can also be confirmed by actual events, as Taiwan, where Texas Instruments has manufacturing, restricted the use of freshwater in 2020 and 2021 due to drought. The microchip industry is very water intensive, and even though it has not led to operational challenges during this period, it is a risk in future periods of drought if there is no political will to prioritise the microchip industry's access to water.

Air quality

Assesses risks for companies due to having operations in areas with high atmospheric concentrations of particles that may be harmful to human health.

It may be an operational risk to operate a factory in countries with high levels of air pollution, as governments are increasingly focused on air pollution since it has such a large and direct impact on quality of life and health. For example, in 2017 China implemented much stronger environmental regulations for air pollution, and this resulted in some companies being fined or forced to suspend parts of their operations. Some ATP portfolio companies such as Asahi Kasei and Mitsui Chemicals were impacted by the new regulation.

	Industry-related risks		Geographical risks		Combined industry and geography	
	Number of	Per cent	Number of	Per cent	Number of	Per cent
Water scarcity	141	24%	59	10%	22	4%
Air quality	69	12%	205	34%	38	6%

ATP's carbon footprint from listed assets

As part of ATP's climate ambitions, we also look at the carbon footprints from our investments. Here, we want to reduce the carbon footprints from our equities and corporate bonds by 70 per cent in 2030 compared to 2018 as part of ATP's effort to reach net zero emissions as an investor in 2050. For real estate, the target is an 85 per cent reduction in 2030 compared to 2018.

ATP wants to send a clear signal to all of its portfolio companies that we expect them to significantly reduce their CO₂ emissions. Therefore, it is important for ATP to specify a target so that the companies can see ATP's own ambitions for this. At the same time, we also recognise that it is challenging for investors to measure CO₂ reductions on a portfolio level.

The main challenge is in determining the effect. ATP wants to contribute to making real reductions in emissions that have a positive impact on the climate rather than just virtual emission reductions where we decrease our carbon footprint by divesting ourselves of carbon-intensive equities and replace them with equities with a low carbon footprint.

Another challenge is the availability of data. In order to really measure the effect of our work and whether we are reaching our targets, we need solid data. As it stands now, we are missing data from 25-40 per cent of companies, depending on

the asset class. It is also important for the companies themselves to have this data so that they know where in their business they need to direct their efforts.

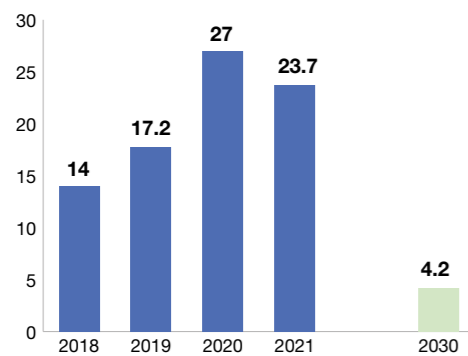
Despite ATP having reconfigured its corporate bond portfolio to green bonds in 2021, a large part of the issuers of these green bonds are energy companies that still have high overall carbon footprints.

Since 2018, ATP has integrated climate data in our selection process for global equities. Even though this was due to considerations for returns, it has also resulted in a lower average carbon intensity in our equity portfolio. In addition to this, there have been real reductions of emissions in portfolio companies through things such as deciding to buy green energy.

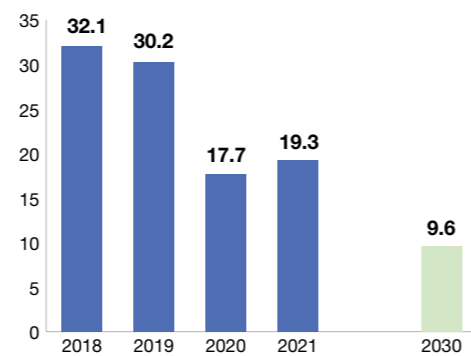
There is no clear trend for ATP's CO₂ emissions from our investments in 2021. However, by most metrics, the emissions have fallen. There is no clear explanation for these changes, but they may be partly explained by ATP having decided to use market-based scope 2 data from companies that report this rather than location-based data.

In recent years, more companies have also begun buying green energy, and this allows them to report a lower carbon footprint when using market-based rather than location-based data.

ATP's 2030 ambition for corporate bonds



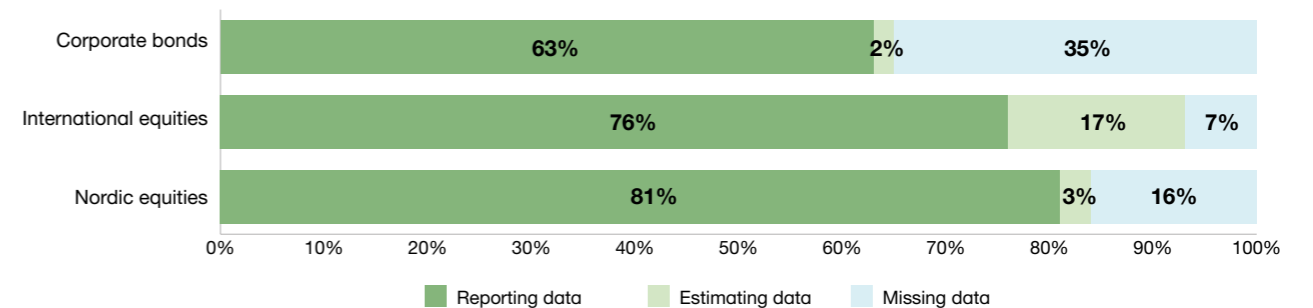
ATP's 2030 ambition for equities



In the 2018-2021 period, ATP's corporate bond portfolio was managed by an external asset manager. The explanation for the higher carbon intensity during this period is that the asset manager had on average selected more carbon intensive companies.

	Total carbon emissions		Carbon Footprint		Carbon Intensity		WACI	
	(tonnes CO ₂ e)	Developments from 2020	(tonnes CO ₂ e/DKKm)	Developments from 2020	(tonnes CO ₂ e/DKKm)	Developments from 2020	(tonnes CO ₂ e/DKKm)	Developments from 2020
2021								
Nordic equities	473,067	2.28%	10.29	-15.42%	33.34	-5.09%	21.72	7.52%
Scope 1	449,431	4.74%	9.78	-13.38%	31.68	-2.80%	20.27	15.49%
Scope 2	23,636	-29.33%	0.51	-41.56%	1.67	-34.41%	1.45	-45.27%
International equities	480,770	-13.66%	7.66	0.16%	13.69	8.98%	13.94	-14.69%
Scope 1	367,079	-8.31%	5.85	5.98%	10.45	15.74%	10.35	-12.57%
Scope 2	113,691	-27.20%	1.81	-15.73%	3.24	-8.04%	3.59	-20.09%
Equities overall	953,837	-6.43%	8.77	-4.60%	19.34	9.11%	17.23	-2.47%
Scope 1	816,510	-1.56%	7.51	0.33%	16.56	14.79%	14.54	5.40%
Scope 2	137,327	-27.58%	1.26	-26.19%	2.78	-15.55%	2.68	-30.44%
Corporate bonds	77,914	125.71%	17.82	-18.71%	23.74	-11.91%	36.97	-4.42%
Scope 1	67,111	146.33%	15.35	-15.67%	20.45	-3.86%	28.02	-10.56%
Scope 2	10,802	48.48%	2.47	-46.76%	3.29	-42.05%	8.95	1.92%
Explanations	Total carbon emissions are the emissions that correspond to ATP's ownership stake		The carbon footprint statement is normalised based on the total size of the portfolio.		The carbon intensity method focuses on the companies' CO ₂ efficiency, as this is normalised based on the earnings of the portfolio companies.		WACI shows the average CO ₂ intensity for all companies in the portfolio, weighted by their respective sizes relative to the portfolio.	

Many companies are still not reporting on emission data

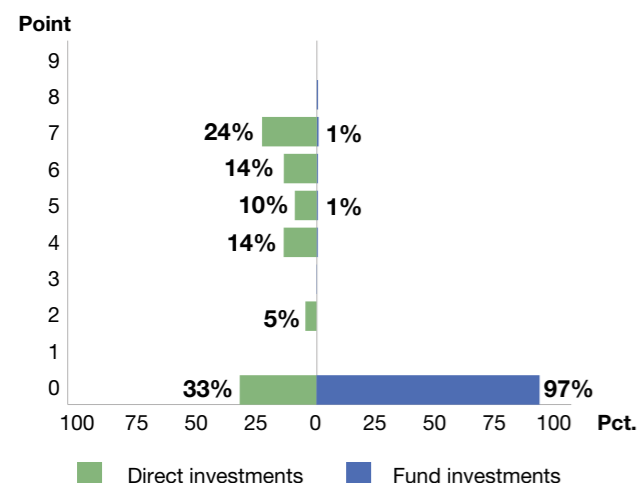


Moving towards getting better CO2 data in the illiquid portfolio

In 2020, ATP began working on collecting better ESG data in our illiquid portfolio. Therefore, last year we were able to make an initial overview of the emissions from this part of ATP's portfolio. As more companies begin providing data, ATP's understanding of the companies' carbon footprints also grows and we can begin to monitor developments over time.

Even though more companies have reported this year, then measured on the value of the portfolio, there is still some way to go before the whole portfolio is covered by data. It is particularly for the investments in funds where there is scant data available, but in recent years, ATP has encouraged several of our direct investments to report on emissions. The fund investments cover more than 1,000 individual investments

The fund investments are a challenge in terms of getting data



in companies that are managed by external asset managers, while the direct investments are larger but fewer, such as the investment in Copenhagen Airport. The point system is explained on page 10 of the report. Due to contractual issues, we are not able to get data from credit funds, and therefore they are not part of this measurement.

OUR METHOD

We want to use similar methods of calculation to measure the carbon footprints of the illiquid portfolio and the liquid portfolio. However, unlike with liquid equities and corporate bonds, standardised market data such as, for example, enterprise cannot be accessed and the enterprise value is thus based on internal valuations. The companies' revenue and emission data are based on what the portfolio companies have reported themselves via ATP's ESG questionnaire.

As ATP managed to gain a better data basis this year, it has been possible to divide ATP's carbon footprints by scope 1 and scope 2 emissions and to measure 'carbon intensity' and 'WACI'. The scope 2 figures are based on the market-based scope 2 measurement method where possible. When it has not been possible to use market-based data, we have supplemented with location-based scope 2 data. Due to this, it is difficult to make comparisons from year to year.

	No. of companies	Total Emissions (tCO ₂ e)	Carbon Footprint (tCO ₂ e/DKKM)	Carbon Intensity (tCO ₂ e/DKKM)	WACI (tCO ₂ e/DKKM)
Scope 1	40	88,812	2.38	25.28	15.32
Scope 2	40	90,420	2.43	25.74	29.42
Total	40	179,232	4.81	51.02	44.74

This year, for the first time ATP has received data on scope 1 and scope 2 emissions from a wide range of companies. This allows us to begin to look at the development in individual companies and to use this data in our ongoing asset management work with those companies.

Mapping of fossil fuel investments

ATP has shifted its portfolio exposure away from fossil fuels in the past few years. This is a matter of risk tolerance, as we do not view fossil fuels as a good investment over the next 10-15 years. There will still be some investments which, due to the company's business model, are involved in the extraction of oil and gas, but there will not be any investments that would have an impact on climate risks on a portfolio level.

ATP has mapped its investments in companies that extract fossil fuels since 2019 as part of our transparency about climate risks. Presumably, this will also be part of the reporting requirements in the disclosure regulation once the technical legislation enters into force in 2022.

Similarly, in 2019 we decided that illiquid funds that invest on behalf of ATP are not allowed to invest in the extraction of fossil fuels. This means that since 2019, there has not been made any new investments in fossil fuels in ATP's illiquid portfolio. When it comes to the investments that were made prior to this decision in 2019, there are still investments in fossil fuels - but these will be sold off as the investments are realised.

The value of ATP's investments in oil and gas rose in 2021, but this is a natural consequence of the generally rising energy prices that also result in energy companies' share prices rising. It is thus not an expression of ATP having allocated more funds to this sector.

In 2021, ATP has reconfigured its corporate bond portfolio from being an external mandate to being an internal mandate with a focus on green bonds. The only company in the corporate bond portfolio is therefore a green bond issued by an energy company.

	Total Market Value		Oil & Gas		Coal	
	DKKkM	#Companies	DKKkM	compared to 2020	#Companies	DKKkM compared to 2020
Equities:	115,549	16	1,010	(+231%)	0	0* (0%)
Corporate bonds:	5,363	1	8	(-97%)	-	- (0%)
Private Equity & Credit Funds:	78,223	93	2,283	(-2%)	2	67 (+86%)
Infrastructure:	42,174	3	1,372	(+2%)	-	- (0%)

* Equity and corporate bond portfolio measured as at 31-12-2021 Private Equity & Infrastructure measured as at 30-11-2021 and Credit funds measured as at Q4 2021

"Oil and gas includes the entire value chain from extraction to the end user - what is technically called the upstream, midstream and downstream - and companies that earn their money from providing services to the oil industry."