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Policy for stewardship at ATP

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Torben M. Andersen
Chairman of the Supervisory Board

1. Purpose, scope of application and strategic targets

ATP has a considerable interest in the markets for listed companies functioning according to the best international standards, that the listed companies' dispositions are managed and controlled and that the pricing mechanisms on markets are as efficient as possible.

The purpose of a stewardship policy is to promote the companies' long-term value creation and thus contribute to achieving the highest possible long-term return for ATP's investors. ATP's conduct in all situations will be guided by that principle.

ATP's policy for stewardship, together with ATP's policy for responsibility in investments, make up ATP's overall ESG policy for listed equities.

2. Identification of risks and risk appetite

ATP views ESG risks in line with other investment risks, including market risks. ATP's policy for stewardship seeks to minimise risks in ATP's listed portfolio.

3. Principles

Stewardship:

1. We are an active investor which includes making use of our voting rights.

Boards of Directors:

2. The boards of directors must act in the long-term interests of all shareholders.
3. We work to ensure that the boards of directors are independent of the executive boards.
4. We believe that the boards of directors have a control function in respect to the executive board and should actively participate in the preparation of the company's strategy.
5. We believe that members of the board of directors (except for any employee representatives) should be elected for a short term so that they are frequently held accountable to the shareholders. The election of members to the board of directors should take place in a transparent procedure, and it should be reported how the evaluation is made.
6. We seek to create the best working conditions to ensure a well-functioning board of directors, provided that the members work in the long-term interests of the shareholders. We have an obligation to provide room for the elected board of directors to exercise the duties they have been entrusted with.

Value creation:

7. We support the work of the boards of directors, where we expect this to increase the value of shareholder ownership stakes.
8. As a general rule, we support the proposals made by boards of directors, but we do not support proposals which we believe to be detrimental to the rights or financial interests of the shareholders. Where we have a continuous dialogue with a company, we will vote against the proposal made by the board of directors only when we believe that other means of influence have been exhausted.
9. We believe that a business-oriented integration of ESG issues can contribute to increasing the value of our investments. Furthermore, we believe that companies' lack of focus on basic principles and standards on ESG issues constitutes a risk that ultimately threatens the value of our investments.

Pay:

10. We believe that companies should have a remuneration policy that ensures that they are able to attract qualified labour.

11. The remuneration of the executive board should be carefully adapted to the specific circumstances of the company and include both variable and fixed pay elements which strengthen the commonality of interests between the executive board and the shareholders. Performance-related pay must contribute to ensuring the company's long-term value creation. The remuneration structure should be easy to understand for investors and other stakeholders.

12. The remuneration of members of the board of directors should be fixed, but we prefer a share of the remuneration to be invested in equities in the company. Variable remuneration of members of the board of directors may undermine the control function in respect of the executive board. **Information:**

13. We work to ensure that companies make all relevant information available to the shareholders wherever possible, while taking into account the company's competitive environment and the confidentiality of the information.

This includes:

14. companies providing a comprehensive description of their strategy and detailing how it contributes to long-term value creation.

15. companies' executive remuneration, including incentive schemes, being described comprehensively in the financial statements.

16. companies reporting comprehensively on their ESG matters.

4. Recommendations for achieving targets

ATP handles all stewardship-related matters itself. We believe that by handling dialogue and stewardship ourselves, we gain special and important insights into a company's affairs. We would not gain these insights if we used an external business partner to act on our behalf. At the same time, it is our assessment that this is the only way we can ensure that all votes are taken seriously and that this ultimately ensures ATP's reputation remains intact among both companies and other stakeholders.

The scope of ATP's policy for stewardship in relation to a specific company generally reflects the value of ATP's investment and ownership interest and ATP's possibility of effectively entering into an active dialogue with the company.

ATP therefore uses one approach in relation to investments in Danish listed equities (so-called continuous dialogue) and another approach in relation to ATP's other investments in listed equities (so-called dialogue through general meeting).

Continuous dialogue is characterised by the fact that it involves both ongoing dialogue with companies and ATP exercising its right to vote at the companies' annual general meetings. The dialogues with companies may be about topics such as strategy, results, risks, capital structure, corporate governance, corporate culture, management remuneration and responsibility issues.

Dialogues through general meetings are often characterised by the fact that the dialogue with the company mainly takes in connection with the general meeting. ATP uses a proxy advisor (external

business partner - in 2020 ISS), which provides ATP with information about companies and their general meetings. ATP handles the dialogue with companies on the voting itself and decides on the votes cast.

ATP often exchanges views with other investors on the companies in which ATP invests. Where ATP finds that it is necessary to have greater clout or in order to give ATP's active ownership more leverage on a specific point, ATP will seek collaboration with other investors.

The ultimate responsibility for ATP's stewardship activities lies with ATP's CEO. The work is coordinated in ATP's Committee for responsibility.

Shareholder Rights Directive II and the Danish Stewardship Code

ATP bases its approach on the Shareholder Rights Directive II and its implementation in Danish legislation in the form of Act no. 369 of 9 April 2019. In cases where ATP's practices deviate from this, the deviations are explained in line with the intentions of the law.

In connection with implementation of the regulation, the Danish Committee on Corporate Governance has chosen to phase out the Danish Stewardship Code as the issues covered by it are generally speaking covered by the new rules. As a natural consequence of this, ATP's policy for responsibility in the future is no longer taking into account the Danish Stewardship Code, but rather the legal requirements of the Shareholder Rights Directive II. It is worth mentioning that the law is still very much based on the "comply or explain" principle, so ATP can choose to explain why the recommendations are not followed, cf. Section 26(d)(5).

5. Reporting

Ongoing reporting is made to ATP's Supervisory Board on the work with stewardship. Further, ATP publishes all votes cast through a public website twice a year.

6. Exemption possibilities

Questions concerning the policy which the CEO believes gives rise to doubt, are presented to ATP's Executive Committee, and any deviations from or interpretations of the policy are approved by ATP's Executive Committee.

7. Updating

This policy must be presented to the Supervisory Board at least once a year for the purpose of an assessment of whether it is still prudent, including the reporting on the compliance. In case of material changes to the assumptions that form the basis of the policy, this policy must be updated.