

ATP Group

Responsibility in investments 2015



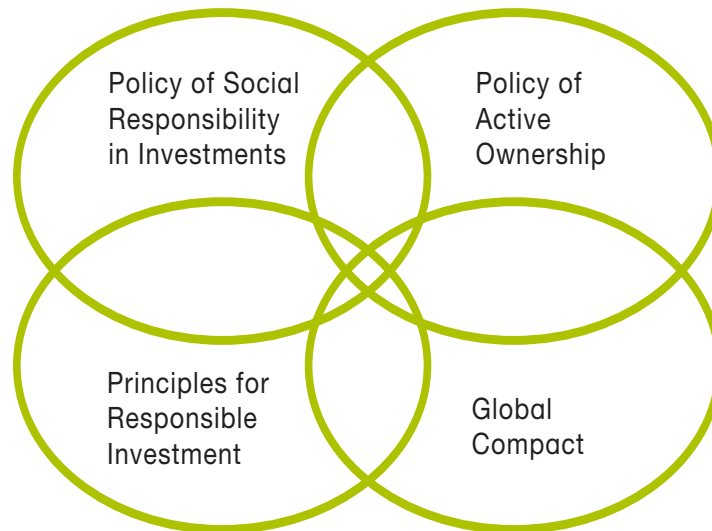
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Introduction



The Policy of Social Responsibility in Investments is set out in the appendix.

ATP practises responsibility in investments in order to safeguard and increase the return for the benefit of ATP's members. ATP believes that responsibility and high returns go hand in hand. The framework for this work is set out in the Policy of Social Responsibility in Investments and the Policy of Active Ownership adopted by ATP's Supervisory Board.

These policies provide a basis for taking into account, in investment analyses and investment decisions, a wide range of environmental, social and governance (so-called ESG) issues of relevance to society.

The UN-backed Principles for Responsible Investment (PRI) comprise six principles for working with responsible investment. The six Principles for Responsible Investment co-exist naturally with ATP's Policy of Social Responsibility in Investments and Policy of Active Ownership: They provide ATP with inspiration on procedural actions for supporting and communicating the work on ATP's own

policies. To underline this, the six Principles are reproduced in ATP's Policy of Social Responsibility in Investments.

Policy of Social Responsibility in Investments

ATP's Policy of Social Responsibility in Investments is based on rules and regulations laid down by national authorities and international organisations endorsed by Denmark. ATP believes that compliance with the policy will also protect and increase the return on ATP's investments. If a company does not act responsibly, it may cause the risk to increase significantly for the company, which will affect its value. Conversely, a clear focus on responsibility may enable the company to realise its business potential and thus possibly increase the value of ATP's ownership interest.

Policy of Active Ownership

The purpose of ATP's Policy of Active Ownership is to protect and increase the return on ATP's investments. A valuable spin-off effect of the efforts to promote corporate

governance is that ATP may contribute to achieving minimum cost of capital and maximum competitiveness for the benefit of all shareholders and the company's other stakeholders.

ATP and the UN's Principles for Responsible Investment

ATP has ratified the six UN-backed Principles for Responsible Investment and has for several years been a member of the private organisation Principles for Responsible Investment (PRI).

In December 2013, ATP was forced to leave the private organisation supporting the six Principles for Responsible Investment due to serious governance challenges in PRI. ATP still supports the six Principles and uses them as a source of inspiration to develop and improve ATP's ESG practice.¹

Accordingly, the structure of this report is based on the six Principles.

ATP and the UN Global Compact

For a number of years, ATP has been working with UN Global Compact principles in relation to ATP's own business practices. In 2015, ATP decided that, going forward, it would adopt a more targeted approach to the ten principles in relation to ATP's investments, as ATP believes that it has the best opportunity to constructively and effectively support the ten principles within this field.

In the course of 2015, ATP therefore prioritised playing an active role in the UN Global Compact, which celebrated its fifteenth anniversary in 2015. Over the year, ATP had focus on incorporating the ten principles into its investment screening processes. This report therefore also constitutes ATP's Communication on Progress to the UN Global Compact for 2015. An overview of where each of the ten principles are mentioned in the report is provided in an appendix.

ATP's support for UN initiatives is not limited to the UN Global Compact. ATP has followed the development of the global sustainability goals (Sustainable Development Goals), which were adopted in September 2015. ATP has already started to look into how ATP, in its investments, can contribute to the work on these seventeen central global goals for sustainable development.

1) Principle 4 is about how investors promote support for the PRI organisation. This year, ATP is unable to report on this principle in a way that reflects the traditional interpretation of it. Instead, under Principle 4, we describe the reason why ATP left the PRI organisation in 2013 as well as the dialogue between the organisation and ATP in 2015. ATP's reason for leaving the PRI organisation was to intensify the pressure on the organisation to improve its internal management, and ATP hopes that this very process will prove to be the most responsible and long-term contribution to promoting the UN-backed Principles for Responsible Investment.

**The six Principles for Responsible Investment are:**

- 1 We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles²

The ten Global Compact principles are:**Human rights**

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

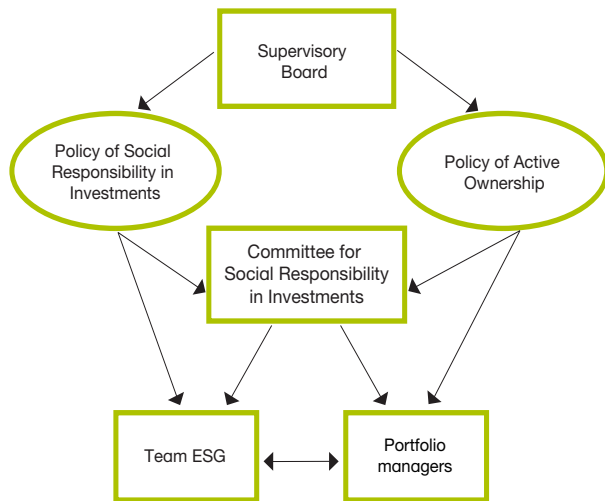
- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

2) <http://www.unpri.org/about-pri/the-six-principles>

Principle 1

ESG integration

ATP's governance model for responsibility in investments



Supervisory Board

Laying down policies.

Committee for Social Responsibility in Investments

Chaired by the ATP CEO with participation of the CIO, relevant investment managers and portfolio managers as well as Team ESG. The committee is responsible for ensuring compliance with the Policy of Social Responsibility in Investments.

Team ESG

Has the day-to-day responsibility for monitoring breaches of the Policy of Social Responsibility in Investments in close collaboration with portfolio managers. Conducts fact-finding in connection with due diligence, monitors the investment portfolio and maintains targeted dialogues with companies. ATP's knowledge centre for integration of responsibility across risk classes.

Internal and external portfolio managers

Has the day-to-day responsibility for risk assessments and for integration of the Policy of Social Responsibility for Investments and the Policy of Active Ownership in connection with due diligence and ongoing portfolio management.

ATP continuously strives to integrate ESG in its investment process and in the day-to-day investment decisions.

Mandate and distribution of responsibility

Responsibility is systematically integrated in investment analyses and investment decisions based on our governance model (see figure).

The purpose of the division of responsibility is to ensure that the Supervisory Board's requirements for investments are met in the internal as well as the external asset management. The model ensures that the teams responsible for the individual investments continuously integrate responsibility aspects, including environmental, social and governance aspects, into their investment decisions.

Integration of climatic conditions in ATP's investments

ATP has been working to integrate climatic conditions in ATP's investments for a number of years.

ATP's work in this field is based on two conditions:

- The Intergovernmental Panel on Climate Change (IPCC) points out that the risk of climate change depends on accumulated CO₂ emissions, which in turn depend on future CO₂ emissions. With the adoption of the Paris Agreement in December 2015, global recognition of the need to accelerate the global reduction in CO₂ emissions has now been achieved.
- The International Energy Agency (IEA) points out that the global energy consumption (especially outside the OECD) is expected to increase significantly towards 2040 and that fossil fuels are expected to continue to cover large shares of the global energy consumption in 2040.

On this background, it is ATP's assessment that a gradual global transition to a low-carbon economy will take place over a number of years.

In order for ATP and other investors to be able to allocate even more resources to the transition to a low-carbon economy, ATP believes that pursuing a clear, credible and predictable policy framework at national and regional level is crucial for the transition to a low-carbon economy.³

3) ATP's commitment to ensuring stable framework conditions is described in further detail in the section on IIGCC under Principle 5.



ATP continuously incorporates climate change considerations in connection with investments across ATP's investment portfolio.

While ATP incorporates climatic conditions in all its investments, ATP finds it especially relevant to incorporate climatic conditions in relation to its more illiquid investments, such as forest and infrastructure investments.

Historically, ATP has made significant investments in green infrastructure (wind turbines and solar cells).

Since ATP has experienced uncertain and suddenly changing national framework conditions for investments in green infrastructure, ATP is seeking – in its illiquid investments in this area – to increase the focus, as regards climate investments, on three categories:

- The sustainable energy value chain – including sub-suppliers of green energy infrastructure
- The stepwise transition to a low-carbon economy – including the transition from coal to gas or biomass
- Increased energy efficiency in a broad sense.

Impact of climate change on ATP's forest investments

ATP's investment in forests is a good example of a type of illiquid investment where ATP naturally integrates climatic conditions in investment analyses and investment decisions.

Forest investments are generally illiquid, so ATP will not necessarily be able to sell a forest investment without significant losses. Before ATP invests in a specific forest, ATP therefore needs to assess all possible conditions – including possible climate change – which may manifest themselves later on in the life of the investment.

And changed climatic conditions have a direct impact on the forest as well. Greater fluctuations in precipitation have already been recorded as well as an increased frequency of forest fires due to drought in certain areas.

In connection with ATP's considerations regarding forest investments in Australia, ATP performed calculations to determine the size of the losses to be factored in due to future storms. Based on historical losses as a result of storm damage in the area, ATP chose in its investment decision to reduce the expected return corresponding to losses from climatic conditions that were twice as large as the historical losses.



Integration of ESG in ATP's infrastructure investments

ATP's own portfolio managers who invest in infrastructure continuously screen the pipeline of potential infrastructure investments in collaboration with ATP's ESG team.

This screening gives ATP the opportunity to assess early in the process the potential investments which in particular will require clarification of significant ESG risks.

The process also ensures that ESG considerations can be incorporated already at the early stages of a due diligence on a specific investment.

Since the Q4 2015, ATP has been in the initial phase of a due diligence process concerning the purchase of an infrastructure asset.

As the initial screening indicated special corruption and security risks in connection with the potential investment, ATP's ESG team has already participated in conference calls focusing on these risks in particular, and it has also already been decided that the ESG team will make an on-site visit before investment, if any, can be made in the assets.

Integration of ESG in connection with real estate investments

ATP makes significant real estate investments via its subsidiary ATP Ejendomme.

ESG considerations are incorporated, among other things, in connection with investments in, for example, the construction of new buildings through sustainability certifications.

Although ATP Ejendomme assesses that sustainability-certified new buildings cost marginally more in the construction phase than non-certified buildings, this also constitutes future-proofing in relation to building utility and operation as well forming part of a holistic approach focusing on financial viability where the building's financial sustainability is given the same weight as environmental, sociocultural and technological considerations. But also investment-wise, as both tenants and any new owners will require that matters such as operational optimisation and minimal energy consumption can be documented and ensured throughout the total life cycle of the building.

Incorporation of ESG issues in connection with the construction of new buildings may also prove relevant in other ways. In connection with ATP Ejendomme's construction of the office building 'Pakhuset' (The Warehouse) on the tip of the Langelinie pier in Copenhagen, natural ventilation was a requirement for the building. There was therefore no need to fit various mechanical ventilation systems into the ceilings of the building, which meant the storey height could be less than normal height. This made room for an extra floor, thereby increasing the originally planned floor area of the building by about 2,500 square metres.

Principle 2

Active ownership

ATP has a long-standing tradition for engaging in active ownership in relation to equity investments. ATP's Supervisory Board's Policy of Social Responsibility in Investments and Policy of Active Ownership emphasise the value of dialogue with the companies targeted for investment.

ATP's active ownership is holistic and addresses development, improvement and hedging issues. The scope of the active ownership exercised by ATP in respect of a specific company generally reflects ATP's ownership interest in the company.

ATP believes that it can gain special and important insight

into companies by handling the dialogue and active ownership itself, rather than assigning the active ownership completely or partially to an external partner.

ATP is happy to collaborate with other investors on active ownership when the parties share the same views.

ATP also maintains an ongoing dialogue about the environment and climate, social conditions and governance (ESG) with companies in which ATP holds a significant ownership interest.

ESG dialogue 2015

In 2014, ATP initiated a structured ESG dialogue with the companies in which ATP holds a significant ownership interest. The purpose of the ESG dialogue is firstly company specific: Gaining a better understanding of and insight into the specific company's risks and opportunities within the ESG area. Secondly, the ESG dialogue is a means of highlighting more general ESG issues.

In 2015, the ESG dialogue focused on anti-corruption as well as the companies' internal efforts to promote diversity in their management teams. Furthermore, the dialogue across the companies has focused on how they are working with climate change as both a risk and a business potential. Finally, the Sustainable Development Goals (SDGs) adopted by the UN in 2015 were briefly touched on.

In 2015, ATP also conducted an ESG dialogue with relevant external managers.

Although the above-mentioned SDGs are not formally limited to developing countries, ATP considers it particularly relevant to initially focus the SDG dialogue on those of ATP's investments which are placed directly in developing countries.

In the course of 2015, ATP has therefore been in dialogue with the external asset manager which most directly places ATP's investments in developing countries, with a view to ensuring adequate focus on the new SDGs and identifying how ATP can support this important global agenda in these investments. ATP will continue this dialogue in 2016.

Active ownership in connection with lease of real property

The 'active ownership' concept normally focuses on investors' active ownership in relation to investments in listed equities. Other types of investments entail different active ownership conditions.

An example of this is ATP's real estate investments where ATP is the owner, but where a dialogue about a number of relevant ESG issues is required with the tenants working in the buildings on a daily basis to ensure optimum results for the benefit of both the tenants and society at large. ATP Ejendomme actively promotes dialogue with tenants and works continuously to ensure optimum monitoring of buildings' resource consumption for the benefit of the tenants.

Both money and resources can be saved, as illustrated by a specific example from the shopping centre Aalborg Storcenter: Here water and energy consumption is continuously monitored. One night, measurements showed a drastic change in water consumption, and the person responsible for operations therefore immediately started investigating the reason for this. This detective work resulted in the identification of a defective cistern with an hourly consumption of one cubic metre of water. Had the defective cistern not been identified and repaired, this could have led to a waste of more than 10,000 cubic metres of water per year and extra costs of approx. DKK 300,000 for the shopping centre's tenants.

Voting abroad and Policy of Corporate Governance

ATP has a long-standing tradition for exercising active ownership in relation to Danish equity investments in the form of a continuous dialogue with the companies' management teams as well as for participating in the companies' general meetings.

Moreover, in 2015 ATP's Supervisory Board decided that, in future, ATP will continue to make use of its voting rights in respect of the group's listed international equities. The dialogue with the companies will primarily take the form of voting at the companies' general meetings.

To ensure coherence and continuity in relation to ATP's previous active ownership activities, ATP has developed a model where ATP's Committee for Social Responsibility controls all of ATP's voting in the portfolios in respect of which there is no continuous dialogue with the companies due to the size of the positions.

ATP's Governance Board, which has been established as a subcommittee of ATP's Committee for Social Responsibility, handles the processing of the individual voting and will lay down ATP's voting mandate. ATP's Governance Board will also be responsible for consolidating and

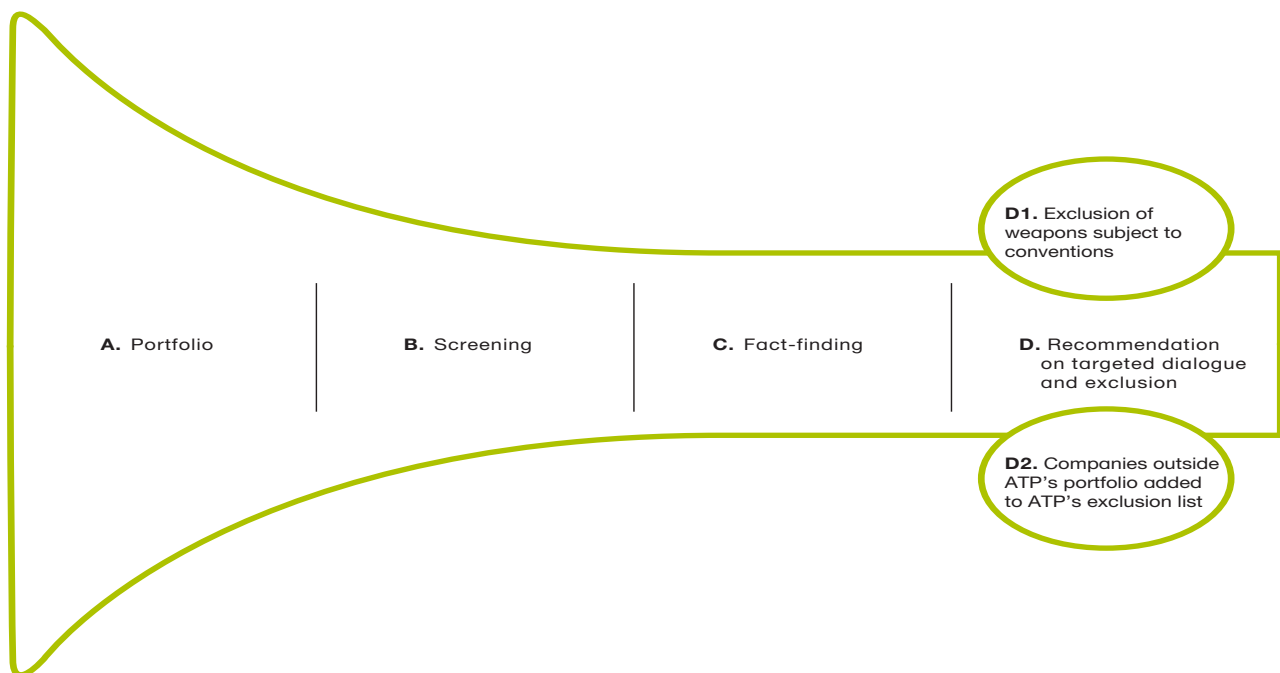
further developing ATP's knowledge of relevant corporate governance issues.

Reactive ownership: targeted dialogue and ESG dialogue

In addition to active ownership which ATP exercises in relation to both Danish and international equities, all equity investments are also covered by the reactive ownership which is reflected in ATP's Policy of Social Responsibility in Investments.

If ATP's screening and fact-finding indicate that the policy has been breached, a so-called targeted dialogue is initiated. ATP's Committee for Social Responsibility may choose to exclude a company if the targeted dialogue does not have a satisfactory outcome.

The targeted dialogue aims at persuading companies to change their position or conduct in relation to a specific breach of ATP's Policy of Social Responsibility in Investments (and thus avoid exclusion).



Exclusion under the Policy of Social Responsibility in Investments

As a general rule, ATP only excludes companies in which ATP has investments. In this context, an exclusion decision is therefore always made on the basis of a prior internal fact-finding process, as illustrated in further detail under Principle 3 in this report. However, the exclusions that ATP made in 2015 have not followed this general rule, as ATP had no investments in the relevant companies.

In 2015, ATP's Committee for Social Responsibility decided that ATP may choose to exclude a company in exceptional cases, even though ATP does not hold any ownership interests in the company at the time of the exclusion. This may be in cases where leading investors have

satisfactorily documented company conduct which ATP's Committee for Social Responsibility considers a breach of ATP's Policy of Social Responsibility in Investments and where ATP has also conducted an independent investigation of the documentation.

As concerns companies that assist in the production of weapons subject to conventions, ATP's exclusion decisions are based mainly on input received from an external expert.

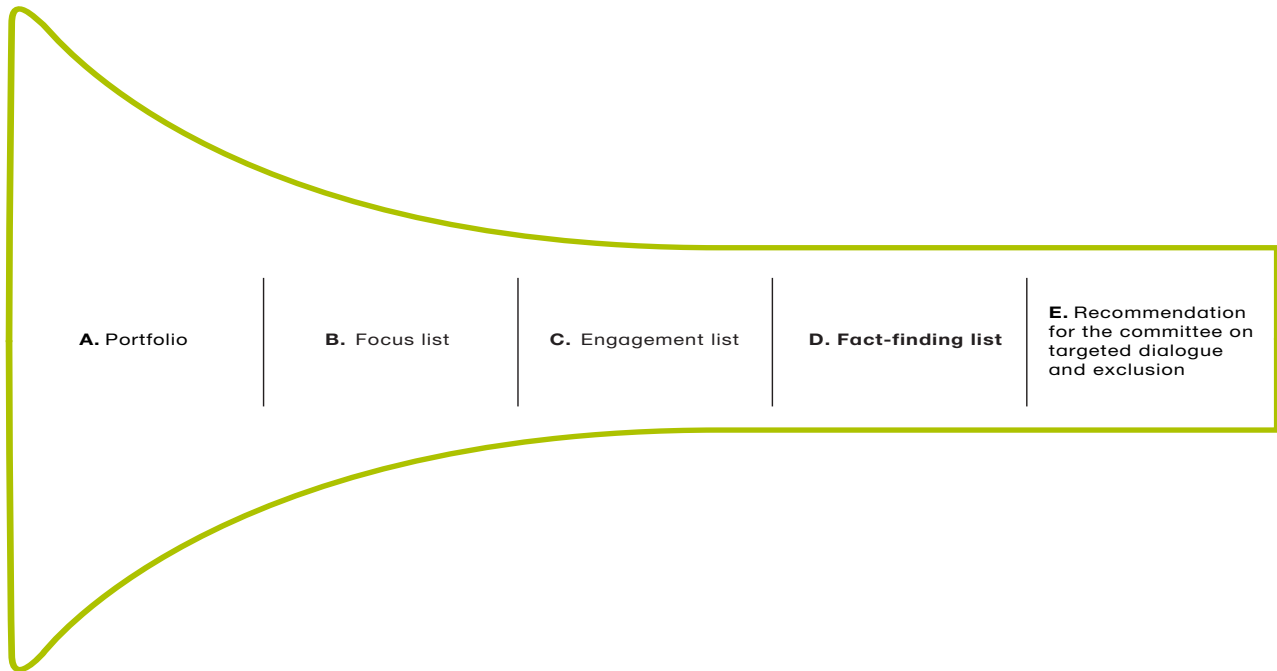
ATP's exclusion decisions in 2015

In 2015, ATP extended its list of excluded companies on two occasions. In both cases, the list of excluded companies was extended by companies in which ATP had not invested. Seven companies that ATP's external expert associated with weapons subject to conventions were added to ATP's list of excluded companies in November 2015. In December 2015, ATP added five additional companies to the list which were documented by leading investors as being environmentally irresponsible in their logging activities by showing no regard for biodiversity. ATP's subsequent investigation confirmed that the companies' activities constituted a breach of ATP's policy.



Principle 3

Information from companies



As an investor, ATP will seek to identify and achieve openness concerning environmental, social and governance (ESG) issues from the companies in which ATP invests.

To comply with this principle, openness and information from the companies are important preconditions for ATP's and other stakeholders' ability to assess and make decisions about a company and its future.

If a company does not provide sufficient information on, for example, responsibility and ESG issues, ATP must base its assessment of the company exclusively on external sources. Ultimately, this may cause ATP to divest or refrain from making an investment.

However, if a company is transparent and open about relevant issues, this may in itself have a positive impact on ATP's assessment of the company.

Generally, companies are under heavy external pressure to publish various and detailed data and information on ESG issues. Just as it is very important for ATP that

companies are open about their ESG issues, ATP also firmly believes that it should only ask a company to disclose information on matters of relevance to ATP to make its investment decisions.

In addition to the specific contact with companies to obtain information on ESG issues in companies in which ATP invests, ATP is also involved at a more general level in developing reporting standards for companies working with responsibility and ESG issues.

Specific information from companies in which ATP is investing or is considering investing

As concerns information from companies in which ATP either already invests or is considering investing, ATP's information needs will vary from company to company and from investment to investment.

In the event of allegations of breaches of the Policy of Social Responsibility in Investments, for example, ATP's screening model is based on the information obtained by ATP's screening information provider from the companies



and public sources.

If ATP's external screening provider or other sources point out possible breaches of ATP's Policy of Social Responsibility in Investments, ATP will request further information from the companies – through its fact-finding process. In connection with fact-finding, the need for information will also vary from case to case; see examples below.⁴

In cases where information from ATP's screening information provider or other sources does not suggest problematic conduct on the part of a company, ATP will generally not request additional information from the company under the Policy of Social Responsibility in Investments.

Fact-finding in connection with allegations of child labour and forced and compulsory labor

ATP's screening information provider associated three companies with potential breaches of ATP's policy. The companies, all dependent on agricultural products, were criticised for having children and forced labourers in their supply chains, primarily in Africa.

The three companies were therefore placed on ATP's focus list, where ATP's ESG team assessed the business partner's information. The criticism was primarily voiced by NGOs, which pointed out specific problems with working conditions in the supply chains or massive problems in the sector in the specific region. As the criticism was serious and substantial, it was decided that the companies would be investigated further, and fact-finding was therefore initiated.

A variety of information sources were used in the subsequent work, including information from the companies themselves. All three companies acknowledged that eliminating child labour is a challenge because many African countries have a tradition of family farming. All the companies have laid down policies which suppliers are required to sign (i.e. supplier codes of conduct) with a view to eliminating the use of child labour for particularly dangerous tasks. However, none of the companies admitted to problems with forced and compulsory labor. ATP also assessed the companies' internal policies and processes in relation to checking working conditions in the supply chain and, in continuation of this, assessed the companies' management capacity compared with their peers. ATP found that two of the companies investigated needed to provide information on the measures launched to reduce the risk of, for example, child labour in the supply chain. ATP therefore presented the criticism to the two companies and asked them to explain what specific initiatives and measures have been launched. As concerns the third company, however, ATP finds that the company has responded actively and thoroughly to the specific criticism as well as explaining the concrete initiatives launched. This company is therefore no longer investigated for breach of ATP's policy. ATP is currently engaged in dialogue with the other two companies to ensure a sufficiently high information level for our further decision-making process.

4) For a description of ATP's overall screening model, reference is made to Principle 3 in ATP's ESG Report 2014. The examples have been anonymised. As described under Principle 6 in ATP's ESG Report 2014, ATP may only publish companies' names at a stage in the fact-finding process if the process leads to ATP initiating a targeted dialogue or deciding to exclude the company.



Labour rights

Another case, which also came to ATP's attention through the screening process, concerns labour rights in a wider sense. A company was criticised for systematically harassing and dismissing trade union members and thus potentially violating the basic right to freely organise in a trade union. Due to the serious nature of the allegations, ATP initially chose to place the company on the engagement list and subsequently on the fact-finding list. There is very little mention of this case in local and international media, and there is no information available about the cases on the company's website. The information from ATP's screening information providers is thus not clearly reflected in the media in general. The information available is therefore relatively limited and does not form a sufficient decision-making basis. ATP therefore decided to contact the company and get its version of the case as well as obtaining information on the company's general policy in relation to trade unions and trade union membership. ATP is in an ongoing dialogue with the company, but is also awaiting the conclusion of the investigation currently being performed by relevant authorities.

Fact-finding concerning corruption

ATP has launched fact-finding in respect of a company in ATP's portfolio which is being linked with allegations of corruption through a subsidiary. The illegal activities have allegedly taken place at various locations in Africa and South America. The charges are serious, and several managers have already left the company as a consequence. Nevertheless, the company denies having done anything illegal, but acknowledges that it may have violated internal policies. As a result of the case, the company has strengthened its compliance management. The case will be investigated by several countries' authorities, and the legal process has been commenced in several countries already. ATP is awaiting the judicial findings in the case.

ATP may also request specific information from companies on their responsibility efforts in cases where such information is not needed solely to verify compliance with ATP's Policy of Social Responsibility in Investments.⁵

ATP's work on reporting standards for responsibility

In ATP's view, companies' activities relating to responsibility reporting are important for two reasons:

- First, the reporting provides ATP and other stakeholders with insights into the companies' responsibility efforts.
- Second, the companies' activities relating to responsibility reporting make up an independent source of information for the companies themselves about relevant responsibility-related issues and on their focus on these issues.

ATP is currently experiencing a significant increase in the

5) ATP's ESG dialogue activities, for example, are described under Principle 2, and ATP's work on gathering information from its infrastructure asset managers is described under Principle 5.



number of general and specific reporting standards with which companies are expected to comply.

Not all reporting standards are designed to drive companies' own responsibility reporting. The companies must also respond to enquiries from various credit rating agencies and initiatives focusing on one particular issue about which they want the companies to provide targeted information.

In its general work on reporting standards for responsibility, ATP seeks to strike a balance between:

- on the one hand, helping to improve the companies' reporting quality and ensure that the companies are open about relevant ESG issues.

- on the other hand, promoting the understanding that responsibility reporting is not the objective in itself. Ideally, the reporting constitutes a starting point for ATP's investment decisions and dialogue with the companies as well as an important tool for increasing the companies' internal awareness of how relevant responsibility aspects can be integrated into the companies' activities.

ATP regularly participates in the debate over companies' responsibility reporting. A summary is provided below of ATP's specific involvement in 2015 in the debate on environmental reporting in relation to the Roundtable on Natural Capital Reporting and in connection with the publication of UNEP's report 'Raising the Bar'.⁶

Roundtable on Natural Capital Reporting

In 2015, ATP participated in a roundtable debate facilitated by Deloitte regarding natural capital reporting. The background to the debate is the idea of having an environmental profit and loss account where companies seek to measure and attribute a monetary value to their environmental impacts throughout the supply chain.

PUMA was the first company in the world to prepare an environmental profit and loss account, and since then, several other Danish companies – some with the support of the Danish Environmental Protection Agency – have tried similar reporting.

In ATP's immediate opinion, integrating all the information in the ongoing investment work is difficult from an investor perspective; conversely, ATP acknowledges that an environmental profit and loss account can also be used in the communication with other stakeholders.

The discussions in the groups have also identified a need for dedicating considerable resources to preparing such a statement. It is therefore also important to ATP that, during this work, the companies themselves obtain significant new information that can contribute to their own responsibility efforts. In the debate, ATP has therefore had a special focus on how the companies themselves apply the insights obtained.

6) Further information on SDG reporting can be found under Principle 1, information on reporting in relation to the UN Guiding Principles on Business and Human Rights can be found under Principle 5, and information on reporting on, for example, the companies' tax conditions can be found under Principle 6.



Environmental reporting – next steps

In autumn 2015, the United Nations Environment Programme (UNEP) published the report ‘Raising the Bar – Advancing Environmental Disclosure in Sustainability Reporting’.

The report is part of a major initiative aiming to increase the number of companies reporting on their environmental impacts and improve the quality of the actual reporting.

In connection with the publication of the report, ATP was invited to a panel discussion in Berlin regarding the report.

ATP basically supports the desire to improve both the quality and quantity of environmental reporting. Lack of data or poor data quality obviously impairs ATP’s possibility, as an investor, of taking environmental issues into account in its investment analyses and investment decisions. Without establishing a data basis, it can also be difficult for the companies themselves to integrate these issues in their business practices.

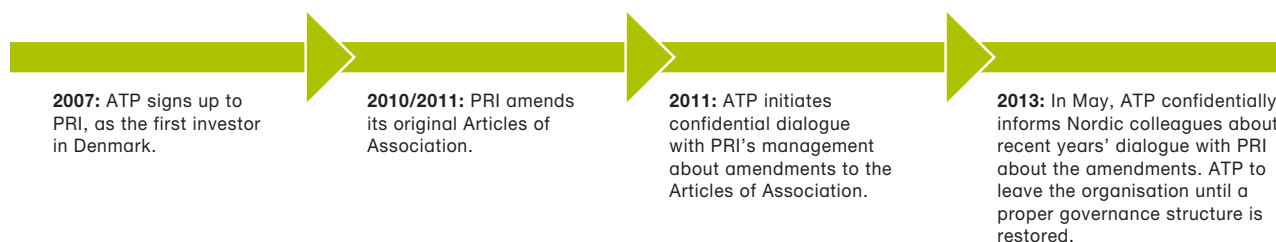
ATP also found it important to point out that the work to improve the quality of the reporting on environmental issues should not result in the bar generally being raised so high that it deters companies not currently reporting on their environmental impact. Instead, an awareness of a natural evolution in companies’ environmental reporting should be established.

Global Child Forum

This year, ATP participated in the Global Child Forum in Stockholm. The Global Child Forum is intended as a platform for dialogue, knowledge sharing and collaboration to improve children’s rights globally. The list of participants included companies, financial institutions, NGOs and international organisations. ATP participated in an ‘actionlab session’ which considered how different players, including institutional investors, can promote the ten Children’s Rights and Business Principles. The session focused on different evaluation and reporting standards as a way of getting companies to integrate children’s rights internally in their business.

Principle 4

Promotion of the Principles for Responsible Investment



Why ATP chose to leave the private organisation PRI

On 13 December 2013, ATP chose to leave the private organisation PRI, which supports the six Principles for Respon-

sible Investment. On that occasion, ATP made the following announcement to the public:

Extract of fact sheet regarding withdrawal from the private organisation PRI

In 1997, ATP's Supervisory Board laid down a Policy of Social Responsibility in Investments, and in 2006 ATP, as one of the first investors in the world and the first in Denmark, ratified the UN-backed Principles for Responsible Investment.

The UN-backed 'Principles for Responsible Investment' (PRI) are important for promoting responsible investment – among other things by emphasising the importance of proper governance in companies worldwide.

We have long had some concerns regarding the organisation's own governance, which does not live up to even the most basic standards that we expect from the companies in which we invest.

Despite several attempts to improve the internal governance of the organisation, we must regrettably say that they have not been successful.

For this reason, we have decided to leave the PRI organisation until it restores the governance of the organisation that was in place before it took the initiative to radically amend its Articles of Association in 2010-11 without the involvement and approval of the members at that time.

We will continue our wholehearted support for the six Principles which the organisation was originally set up to promote.

As a consequence of leaving PRI, from 2014 we will no longer be able to report to the organisation on our implementation of the six Principles. However, we will continue to keep our stakeholders informed of our work on responsible investment, including our implementation of the six Principles.

If the PRI organisation later announces that our concerns about the organisation's governance have been addressed, we will each decide whether we wish to rejoin the organisation.



Dialogue with PRI

Since ATP left PRI in 2013, we have been in a constructive dialogue with the organisation and the chair of the organisation. This includes a joint dialogue with the five other Danish investors which left PRI in 2013.

ATP believes that ATP's constructive – and clearly productive – dialogue with PRI is the essence of responsible investment.

ATP recognises that some of the original concerns related to the governance of PRI have been addressed.

The dialogue currently focuses on governance discussions closely linked with PRI's ongoing consultation concerning possible new membership standards ('Recognising Diversity, Strengthening Accountability'). The consultation will continue into the first half of 2016.

ATP cannot comment further on PRI's management reforms until ATP assesses it is possible to draw a conclusion based on this consultation.

ATP and the UN Global Compact

After the exit from PRI, ATP decided to integrate its investment work with the ten Global Compact principles.

In 2015, ATP therefore elected to intensify its current participation in the UN Global Compact activities, both at global and regional level.

The UN Global Compact celebrated its fifteenth anniversary in 2015. ATP was present at the global celebration in New York, where ATP had the opportunity to meet many other members from countries across the world and take part in discussions in the UN's Business for Peace initiative.

ATP also participated in the annual European Global Compact conference in Berlin. The conference focused on the role companies can play in relation to sustainable development in Europe and worldwide. The meeting was an excellent opportunity to obtain up-to-date knowledge, for example about the recently adopted Sustainable Development Goals, as well as meeting European stakeholders. ATP attended presentations and participated in discussions about sustainable supply chains, children's rights and European reporting requirements and standards as well as about practical knowledge of human rights due diligence gained by different European companies.

Finally, ATP is also an active member of the Global Compact Nordic Network.



Principle 5

Collaboration with other investors

Collaboration with other investors is a source of greater knowledge and greater influence.

To enhance the effectiveness of its work on responsibility in investment, ATP is consistently seeking to strengthen its collaboration and dialogue with other investors.

Direct collaboration with Danish and foreign investors

ATP maintains a close dialogue with both Danish and foreign colleagues on a broad range of ESG issues.

This dialogue enables an exchange of experience as well as specific collaboration, where appropriate, on relevant current issues.

Collaboration with Nordic colleagues on the UN Guiding Principles for Business and Human Rights

ATP has kept track of the preparation and publication of the UN Guiding Principles on Business and Human Rights. As a consequence, in its ESG dialogue in 2014, ATP placed special focus on the companies' work to incorporate these UN principles into their business practices as well as into the reporting of their work on the principles.

In ATP's experience, the focus on these central guidelines should be maintained, and many companies are still uncertain about the best way to report on their work on these guidelines.

In 2015, ATP, in collaboration with Nordic colleagues from the Swedish AP funds, the Norwegian Folketrygdfondet and the Finnish Ilmarinen, chose to arrange a workshop for major companies in the Nordic region with a special focus on these issues. At the workshop, it was discussed, with the assistance of external experts, how companies can implement the UN Guiding Principles on Business and Human Rights, for example through due diligence processes. Several of the participating companies also described their initial experience and challenges encountered in the work on implementing the principles.



ATP as co-founder of a global reporting and benchmarking standard for ESG in connection with infrastructure investments (GRESB Infrastructure)

For a number of years, ATP has requested ongoing reporting on relevant ESG issues from its external infrastructure investment managers.

In 2015, as a natural extension of this work, ATP chose to co-found a new organisation – GRESB Infrastructure – the objective of which is to establish an ESG assessment tool for investors investing in infrastructure assets.

The goal is to offer investors a systematic evaluation and ESG benchmarking of their infrastructure assets. The material is intended for use in connection with due diligence when choosing infrastructure asset managers. The material can also be used to identify areas potentially in need of more dialogue with the various infrastructure investment managers.

As a founding member of GRESB Infrastructure, ATP has had an influence on the development of the reporting via a seat on the organisation's Advisory Board, which is to provide input for the selected criteria. So far, the initiative is focusing on eight assessment criteria: Management, management systems, policy and disclosure, climate change risk and resiliency, using natural resources, waste and pollution, land use and biodiversity, and stakeholder engagement.

GRESB or the Global Real Estate Sustainability Benchmark performs assessments of ESG issues in relation to real estate investments.

ATP has participated in the corresponding assessment concerning real estate investments for a number of years. In ATP's experience, this process has generated valuable input for continuously ensuring the best possible integration of ESG issues in ATP's real estate investments.

Collaboration on influencing the political regulation relating to climatic conditions through IIGCC

ATP believes that the most important contribution that we and other investors can make to a green transition is to jointly advocate the establishment of a clear, predictable and credible policy framework for the transition to a low-carbon economy – at a global level, but very much also at regional and national level.

For a number of years, ATP has therefore been active in the Institutional Investors Group on Climate Change (IIGCC), an organisation with 120 members from nine countries, representing more than EUR 13,000 billion in assets.

The purpose of IIGCC is to serve as a mouthpiece for investors, which can encourage policies that address long-term risks and opportunities associated with climate change. ATP deems it crucial that investors can to the greatest possible extent speak with one voice regarding these important issues and has therefore chosen to focus on IIGCC as the organisation ATP supports on these issues.

In 2015, ATP's CEO cosigned a joint open letter (organised under the auspices of IIGCC) to the finance ministers of the G-7 countries, urging them to conclude a global agreement in Paris to ensure a long-term global emissions reduction and the submission of short to medium-term national emissions pledges and country level action plans.

ATP has also participated in IIGCC events in 2015 on an ongoing basis.

ATP once again member of Dansif's Board of Directors

Dansif is an impartial forum for players with a substantial interest in ESG. The objective is to spread and exchange experience among the members of the Society as well as facilitating a diversified debate on ESG.

ATP helped found Dansif in 2008 and was active on the Society's Board of Directors from the inception of the Society until 2013. In 2015, ATP was again elected to sit on Dansif's Board of Directors.

In the course of 2015, Dansif organised various events for the members of the Society, conducted a member survey and commissioned external experts write two independent reports on topics of relevance to Dansif's members. One report investigated the scope of teaching in ESG issues at higher educational institutions. The other report examined the 'stranded assets' concept and came to the conclusion, among other things, that very little academically-based material exists about this issue.

Collaboration with international investors to promote long-term investment behaviour through the initiative FCLT

A long-term perspective has long been a central part of ATP's approach to everything from product design, risk management and investment decisions. ATP is a long-term investor which through its investments aims to create a long-term return for its members. It has therefore been a natural choice for ATP to participate in the initiative Focusing Capital on the Long Term (FCLT), which was established to promote a long-term focus among investors and companies. The initiative was cofounded in 2013 by the Canada Pension Plan Investment Board (CPPIB) and McKinsey & Company. Together with a small group of large international investors and companies, ATP has participated in the initiative as a founding member.

Through FCLT, ATP has contributed to preparing action-oriented recommendations aimed at increasing the focus on long-term value creation rather than on short-term earnings. This is to encourage investors and companies to make the decisions that create the highest value and are the most profitable in the long term, rather than just within the next quarter or the next year. According to the FCLT mindset, institutional investors play a key role as they, through active ownership, remuneration structure, investment mandates etc., can persuade the companies in which they invest to make more long-term decisions.

FCLT has therefore developed specific recommendations for institutional investors. The recommendations are divided into five core action areas – investment beliefs, risk appetite statement, benchmarking process, evaluations and incentives, and investment mandates – which for each area contain specific proposals for and examples of implementation at institutional investors.

Creating general awareness of this issue has also been an objective for FCLT, which, among other things, was realised in the form of the Long-Term Value Summit held in March 2015, which was attended by more than 120 global leaders from all parts of the investment value chain, including investors, corporate boards and management, and policymakers.

ATP will continue its collaboration with FCLT in 2016, which is expected to see the establishment of a permanent secretariat for FCLT.



Principle 6

Dialogue and reporting

ATP sets great store by a high degree of openness in respect of its activities to promote responsibility.

The idea is that greater openness contributes to a better understanding of the dilemmas and challenges facing investors when practicing responsibility in investments.

In these endeavours, ATP views reporting as the means, while dialogue and mutual understanding are the end.

Reporting

As a result of ATP's decision to leave PRI until satisfactory governance has been restored, ATP currently cannot report on its work on the six Principles for Responsible Investment using the reporting template developed by PRI.

Accordingly, like last year, ATP has decided to reuse the model for reporting on the six Principles for Responsible Investment used for the 2009-2011 financial years.

ATP would like this report to encourage dialogue and not just one-way communication, as also stressed by ATP

when asked for advice on responsibility reporting by other companies.

At the same time, the nature of the report is such that it should attract a wider target audience than the official PRI reporting. The report also constitutes ATP's annual Communication on Progress reporting to the UN Global Compact.

Dialogue

During 2015, ATP engaged in dialogue on responsibility with a broad range of its stakeholders.

ATP is making huge efforts to make itself available to stakeholders wishing to discuss our work on responsibility in investments. In addition to the extensive dialogue with the companies in which ATP invests (described under Principles 2 and 3) and the formal networks it takes part in (described under Principle 5), ATP also maintains a dialogue with other stakeholders.

ATP's and IBIS's tax dialogue

In 2015, ATP was invited to participate in a dialogue with Danish NGOs and companies on the challenges and opportunities relating to tax and the private sector. A total of four workshops on the topic were held in 2015, with ATP participating in all four.

In ATP's experience, this dialogue has led to a better understanding among the parties of how investors and companies handle tax matters as well as of the wishes NGOs have in respect of companies' and investors' tax-related work.

At the meetings, ATP has had a special focus on the issue of tax payments in developing countries, where the tax authorities do not always possess the same competencies in handling such matters as do, for example, tax authorities in OECD countries. ATP has participated in the meetings as investor representative. ATP's position on companies' tax payments appears from ATP's Policy of Social Responsibility in Investments.



ATP is often invited to participate in various surveys concerning ATP's responsibility efforts. Generally, ATP prioritises the direct dialogue higher than participating in such generic surveys – both for resource reasons, but also

because ATP perceives that two-way communication is of greater value to its stakeholders.

ATP's dialogue with the Asset Owners Disclosure Project

One of the surveys which ATP opted out of in 2015 was the Asset Owners Disclosure Project. The survey from the Asset Owners Disclosure Project focuses particularly on examining how climate risks are managed by investors with large global equity portfolios. Rather than participating in the survey, ATP initiated an extensive dialogue with the parties responsible for the survey. In this dialogue, ATP described its overall approach to integrating climatic conditions in investments, including explaining why the focus points of the survey were not immediately key to ATP's activities. The dialogue was both positive and constructive, and it became clear, among other things, that ATP and the Asset Owners Disclosure Project had coinciding interests in obtaining more knowledge.

... and confidentiality

ATP sets great store by openness, but there are exceptions.

If the ongoing dialogue with companies is to be constructive, the issue of confidentiality between the companies and ATP is often an essential prerequisite. For this reason, the need for a confidential dialogue and negotiating climate will in these cases outweigh the objective of ensuring general openness towards the public.

Transparency

In 2015, ATP decided to improve the transparency of its responsibility efforts in two specific areas.

For a number of years, ATP has published its holdings in listed companies once a year. From 2016 and onwards, ATP will now publish its holdings of listed equities in its annual report and in connection with the publication of its interim report for H1.

Last year, ATP decided to provide a description of its screening process in relation to ATP's Policy of Social Responsibility in Investments.

In this 2015 report, as a follow-up to this initiative, ATP offers three specific examples of the ongoing fact-finding performed by ATP in relation to possible breaches of ATP's Policy of Social Responsibility in Investments. The examples can be found under Principle 3. The examples have been anonymised because, at the fact-finding stage, ATP does not know whether a company has acted in breach of ATP's policy, and ATP therefore cannot provide more information about the companies mentioned than what appears from the examples.

As illustrated by the figure on the next page, ATP generally cannot offer transparency in respect of companies on its focus list, engagement list and fact-finding list.



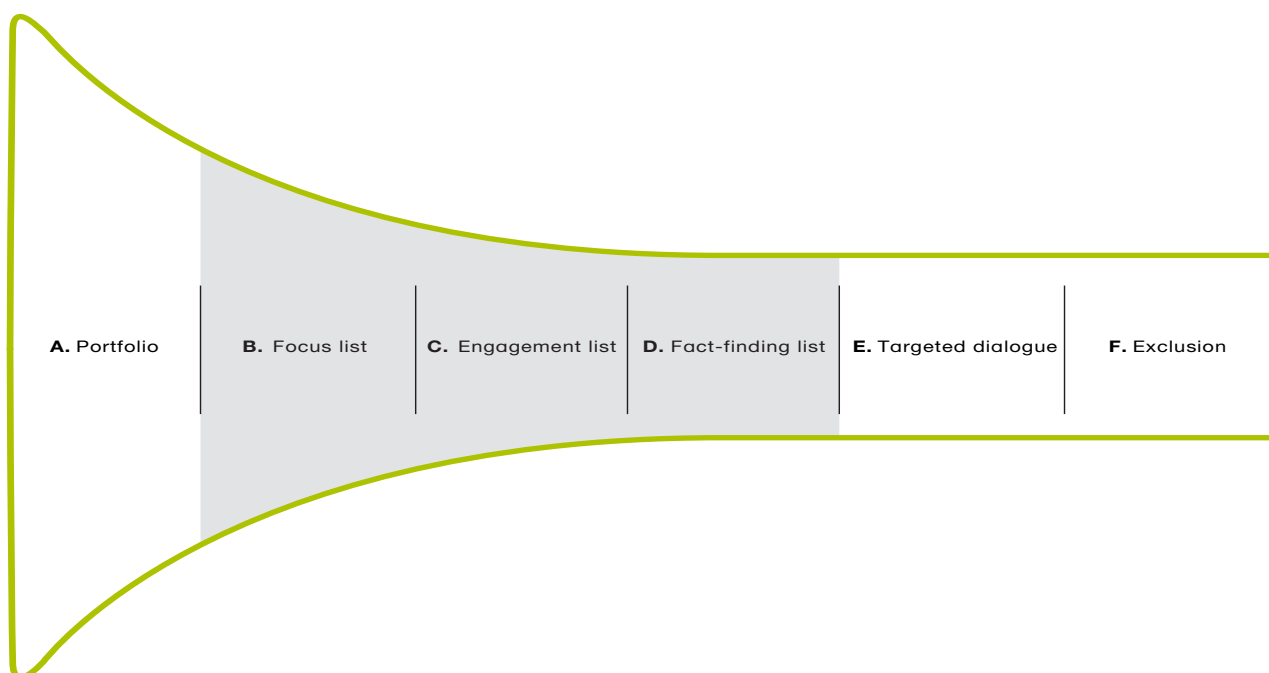
ATP considers on an ongoing basis whether it is possible to increase the transparency concerning relevant matters. Among other things, ATP has elected to publish a tax policy concerning its own matters in connection with its annual report for 2015.

ATP is also of the opinion that it is important that new transparency measures actually provide an accurate picture of the ESG issues relating to ATP's investments.

WWF, for example, has been asking investors for statements of green and black investments, respectively, for a number of years. It is ATP's assessment that such a distinction and reporting does not provide an adequate picture of the ESG conditions in ATP's investments. For example,

ATP's largest single investments are placed in companies that contribute to the extraction or consumption of fossil fuels, i.e. so-called 'black' investments; however, the companies concerned in this context, DONG Energy and Maersk, are also known as green companies. DONG Energy because of its significant investments in offshore wind turbines and because the company is working continuously to convert its energy production from coal to sustainable biomass. And Maersk because of its widely recognised work to reduce CO₂ emissions per container.

On its website, ATP informs about social responsibility as well as presents ATP's views on specific ethical dilemmas, for example tobacco and nuclear weapons.



ATP and transparency in terms of carbon footprinting

For a number of years, ATP has been following the debate on the 'CO₂ footprint' of investments.

ATP is still of the opinion that it makes good sense for a company to work on its CO₂ footprint, as any activities launched by a company with a view to limiting its CO₂ footprint do actually manifest themselves in lower emissions. The same logic is not directly applicable to investors' CO₂ footprint, as passing up the opportunity to acquire an ownership interest in a company responsible for large emissions does not automatically result in the company reducing its emissions. Instead, all other things being equal, a divestment will only lead to another investor acquiring the ownership interest in the company, and this may even result in the owners focusing less on ensuring that the company reduces its emissions.

It is also generally recognised, including among investors having chosen to publish their CO₂ footprint, that carbon footprinting does not give a true view of the climate impact of portfolios. Among other things because:

- Only certain emissions are included in the statements
- The available climate emissions data are not complete
- Only certain asset classes are included in the statements
- Reductions in emissions derived from products and services are not taken into account.

Moreover, it has been shown that investors' published carbon footprinting to a very significant degree depends on their respective carbon footprinting suppliers.

ATP monitors the development in the area closely with special focus on the development of alternative calculation methods, which, to a greater extent than the current ones, may serve as a real input for assessment of the climate risk of specific investments.

Appendix

	UN Global Compact	Page
Human rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. make sure that they are not complicit in human rights abuses.	4, 9, 11, 16, 18, 20
Labour rights	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; and 6. the elimination of discrimination in respect of employment and occupation.	4, 9, 13, 14, 16, 18
Environment	7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies.	4, 6, 7, 8, 9, 10, 11, 15, 16, 20, 21, 23, 24
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	4, 8, 9, 14, 22

