

AP2

Andra
AP-fonden

Human Rights Policy



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Decided by the Board in December 2022

Introduction

The First, Second, Third and Fourth Swedish National Pension Funds (the AP Funds) are buffer funds in the Swedish pension system. The objective of the AP Funds is to manage fund capital to generate the greatest possible benefit for the national pension system. The total risk level in the AP Funds' investments must be low. At the chosen risk level, fund assets should be invested so as to secure a high long-term return. The AP Funds' asset management shall be, in accordance with the Swedish National Pensions Insurance Act, conducted in an exemplary manner through responsible investments and ownership. In its investment management, special importance must be attached to the promotion of sustainable development without sacrifice on the overall goals on return and risk. The AP Funds can collaborate in the achievements of sustainability goals. Andra AP-fonden's (AP2) sustainability work is based on the Fund's mission and entails a long-term approach to protect and add value to its investments – based on an economic, environmental and social perspective.

AP2's vision is "World-class investment management". In order to achieve this vision, it is a prerequisite that sustainability is integrated into all analysis and investment processes. By actively promoting and incorporating sustainability in AP2's business, value can be created and safeguarded, and sustainable development facilitated. Sustainability includes the environment, ethics, social issues and corporate governance. The fund's work on sustainability in its asset management is governed by five focus areas: climate, biodiversity, corporate governance, human rights and diversity, equity and inclusion. AP2 is responsible for both the management and the governance of the capital assets that the fund has received and works actively with sustainability from both perspectives. Systematic and exemplary sustainability work is also one of the key factors in retaining and recruiting employees.

AP2's human rights work is primarily driven by a focus on the most salient potential impacts on people, in accordance with the UN Guiding Principles on Business and Human Rights.

Read more about the UN Guiding Principles on Business and Human Rights at: www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf. Several of the terms used in this policy are explained there.

Values and commitments of AP2

AP2's core values are based on the values of the Swedish State and entail, among other things, that AP2 undertakes to respect international conventions ratified by the Swedish state. Democracy, fundamental human rights, universal equality, and respect for the freedom and dignity of the individual are key elements of the Swedish Constitution, and characterise the core values of AP2. Human rights are universal and must apply to everyone, and the state has a duty to promote, protect, and ensure the full and equal enjoyment of fundamental freedoms by all persons, and promote respect for their inherent dignity. These are principles which AP2 seeks to respect and comply with in its operations.

The ambition of AP2 is to be a leading player among institutional investors in the area of human rights. AP2 undertakes to respect internationally recognised human rights standards, which entails that AP2, among other things, adheres to:

- The Universal Declaration of Human Rights
- The International Covenant on Economic, Social and Cultural Rights
- The International Covenant on Civil and Political Rights
- The ILO Core Conventions.

AP2 shall implement the UN Guiding Principles on Business and Human Rights, which stipulate companies' responsibility for managing risks related to adverse human rights impacts which the company may cause, contribute to or be directly linked to. As a state agency concerned with asset management, AP2 considers itself subject to the corporate responsibility to respect human rights and relevant aspects of the state duty to protect human rights under the UNGPs. It follows from this that AP2 will seek to prevent infringements of human rights and to address any adverse impacts with which it is involved. This will be achieved by continuously and systematically identifying, preventing, mitigating and managing the potential and actual adverse human rights impacts with which AP2 is connected to.

AP2's impact on human rights

According to the UN Guiding Principles, companies can cause, contribute to, or be directly linked to, adverse human rights impact through their activities or business relations. AP2 has many roles:

- Employer
- Customer to suppliers
- Counterparty to other financial institutions
- Asset owner and asset manager

In all of these roles, AP2 may be connected to impacts on people.

The Fund's salient risks

The Fund's assessment concludes that the most severe adverse impacts with which it could be involved are related to the role of asset owner and asset manager. This concerns risks relating to the companies in whose securities AP2 has invested in and through which AP2, in turn, may be directly linked to, or potentially contribute to adverse impacts via its investment. As AP2's asset management is to generate the greatest possible return for pension holders, AP2 invests globally in order to achieve favorable risk diversification. Consequently, AP2 is connected to several potential severe human rights impacts via its holdings, and in accordance with its values, AP2 actively seeks to mitigate such impact. AP2 intends to further develop its ability to identify and manage both actual and potential adverse human rights impact in which AP2 may be directly or indirectly involved.

Other risks

In addition to the aforementioned salient risks, AP2 is potentially connected to other types of risks, including in its role as employer and through its contacts with suppliers and

counterparties. These risks are managed, for example, through various policies, regulations and procedures developed by AP2.

Human Rights Impact Management Process

In accordance with the UN Guiding Principles, AP2 seeks to work according to a due diligence process that includes the following:

Identify: In the work of identifying AP2's human rights impacts, AP2 seeks to take particular account of local and national contexts within geographical regions and industries where specific human rights challenges exist, and to investigate AP2's association with these. A risk assessment model with special focus on risks to people, and not risks to AP2 and its operations, will be applied.

Assessment: In assessing the severity of the identified human rights risks, AP2's objective is to take particular account of the scale and scope of the impacts and the ability to remedy them should they occur. In the assessment, the objective is also to take particular account of whether particularly vulnerable groups, such as women, children, minorities, or indigenous populations, are adversely affected.

Prevent & mitigate: AP2's most severe impacts must be prioritised and managed first. If AP2 *causes or may cause* an adverse human rights impact, AP2 must cease the infringement with immediate effect or take the measures necessary to prevent any adverse impacts. If AP2 *has contributed or may contribute to* an adverse human rights impact, AP2 intends to take the measures necessary to cease or prevent its contribution. If an adverse impact is suspected to *be directly linked to* AP2's business activities through a business relationship such as an investment, AP2 intends to use its leverage to create positive change, to the extent and degree that this is deemed possible. Based on a comprehensive assessment, AP2 considers whether the holding should instead be excluded, i.e. removed from AP2's investment universe.

Reporting: AP2 will report at least annually on its human rights activities.

Remedy: The UN Guiding Principles stipulate that a company must remedy or contribute to remedy in situations where the company *has caused or contributed to* an adverse human rights impact. AP2 intends to remedy situations where AP2 has *caused* an adverse human rights impact. If it *has contributed to* an adverse human rights impact, AP2 intends to contribute to remedy. If adverse human rights impacts are caused by a third party to which AP2 is *directly linked*, such as AP2's portfolio companies, AP2 will seek to use its leverage, alone or jointly with other stakeholders, to ensure that the party responsible takes remedial action and that future adverse impacts are prevented. AP2's complaints mechanism includes a whistleblower function whereby employees can report e.g., unethical conduct anonymously.

AP2 invests in markets in many different countries. AP2 may need to consider that situations may arise where local laws and regulations are not in harmony with internationally recognised human rights standards. In such situations, human rights should be respected even where national law set lower standards than international standards, and where the two are in conflict,

the principles of international human rights standards shall be followed to the greatest extent possible in the circumstances.

Implementation of the policy by AP2

AP2's human rights policy is part of its operational plan that is adopted by the Board of Directors. As AP2's human rights impacts change over time and AP2 gains more experience from working with human rights, this policy will be updated. In order to implement this policy, AP2 will further develop existing procedures and policies. AP2 conducts internal training concerning human rights on an ongoing basis, to ensure that all employees have the capacity to implement this policy as relevant in their role / function. The policy is available on AP2's website.

Other governing documents

Human rights are also addressed in AP2's corporate governance policy, which describes AP2's expectations of its business activities and of the portfolio companies in which AP2 invests, as well as the managers of private equity funds and unlisted real estate companies used by AP2. AP2 also has an equality and diversity plan that addresses discrimination and equality issues. Since asset management is AP2's core activity, AP2 adheres to the Principles for Responsible Investment (PRI) of which AP2 was a founding signatory year 2006.

Organisation and distribution of responsibility

The CEO of AP2 is responsible for AP2's work with human rights. The work is led by a steering group. This group is responsible for formulating strategic priorities, defining goals and action plans, and continuously monitoring development. Reports on AP2's activities in this area are submitted to the management of AP2. The Board of Directors receives reports on AP2's human rights work as part of its regular sustainability reporting.

AP2's expectations of employees, suppliers and business partners

AP2 expects all employees to be aware of this policy and to adhere to it in their work. AP2's management has a particular responsibility to ensure that employees have received and are familiar with the contents of this policy. AP2 also expects its suppliers, business partners and portfolio companies to respect human rights in their business activities. Where AP2 engages external managers with regard to discretionary mandates, the managers must accept AP2's corporate governance policy. As for AP2's external investment managers within private equity and real estate, AP2 refers to the principles of the UN Global Compact.