

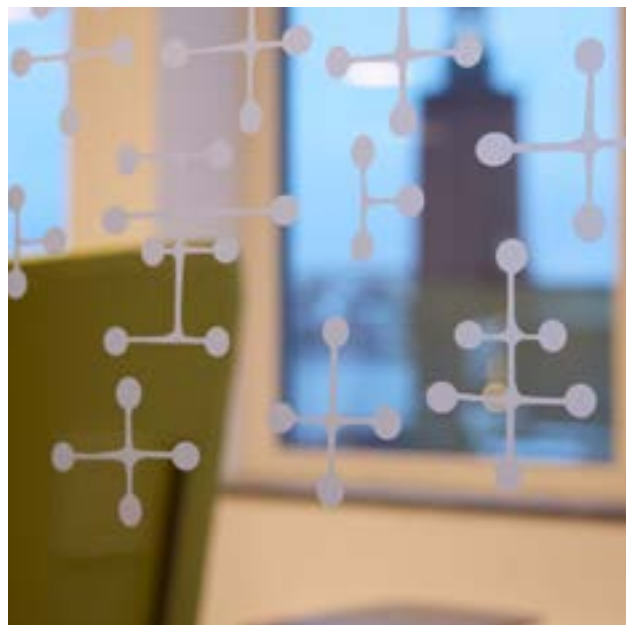


# HUMAN RIGHTS PLAN

Respecting, upholding and  
strengthening human rights

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Staffan Hansén  
Chief Executive Officer

Third AP Fund | Box 1176, SE-111 91 Stockholm | [info@ap3.se](mailto:info@ap3.se) | +46 (0)8 555 17 100 | [www.ap3.se](http://www.ap3.se)

## Introduction

**The Third AP Fund (AP3)** is an investor with a mission to promote the stable development of the state income pension system for current and future pensioners. The capital is invested in order to generate a high return over time. AP3's mission includes promoting sustainable social development by being a role model as a responsible owner and investor.

Through active stewardship, AP3 will work to ensure that the companies in which it invests are well managed and well governed. The action plan aims to describe how AP3 will work to fulfil the basic principles set out in the Responsible Investment Policy adopted by the Board.

The AP Funds' core values are based on the values of the Swedish state, in which democracy, fundamental freedoms and rights, the equal value of all people and the freedom and dignity of the individual are key elements in accordance with the wording of the Instrument of Government. The international UN conventions that Sweden has ratified, including conventions on the environment, human rights, labour law, corruption and inhumane weapons, also

form essential parts of the framework on which the Fund's values and work are based. The framework is also expressed through Sweden's support for initiatives such as the UN Global Compact, the ILO and the OECD Guidelines for Multinational Enterprises, and through Sweden's positions on issues of international law.

### About AP3's Human Rights Plan

AP3 will work to ensure that human rights are respected, upheld and strengthened where necessary. AP3's human rights efforts aim to comply with international guidelines and conventions and are based on the [UN Guiding Principles on Business and Human Rights \(UNGPR\)](#). The Principles state that companies and investors have an obligation to respect human rights. AP3's Human Rights Action Plan describes AP3's human rights targets and plan. The status of each target is presented based on the latest full-year data.

# Governance

**The Swedish Government appoints AP3's** Board members, who adopt a Responsible Investment Policy with general guidelines for the Fund's sustainability work. Human rights is one of AP3's key focus areas in the area of sustainability, and the policy states that:

*as a responsible owner and investor, AP3 must endeavour to ensure human rights, particularly those related to the companies' activities, are respected, upheld and strengthened where necessary.*

The Board of Directors must be informed on an ongoing basis about how work on sustainability and stewardship is being conducted and developed. The Chief Executive Officer bears overall responsibility for ensuring that the Responsible Investment Policy

and the Human Rights Action Plan are complied with and operationalised.

AP3's Investment Committee (IC) makes decisions on sustainability issues of a material nature, and the work to integrate human rights is performed by the fund management. The Head of Sustainability and Stewardship will report on sustainability risk issues to the Fund's Risk Management Committee (RMC) on a quarterly basis.

The Sustainability and Stewardship Team is responsible for this work and supports the fund management in evaluating human rights risks and monitoring targets on an ongoing basis.

## Strategy

**The most serious adverse impact** that AP3 can have on human rights is in its role as an investor. This means that the Fund could be linked to potentially serious direct or indirect human rights impacts through its investments. Where this occurs, AP3 has an obligation to act and use its influence as an owner to prevent violations and contribute to sustainable development.

In accordance with the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, AP3 endeavours to work on the basis of an ongoing due diligence process that includes the steps in the figure below:

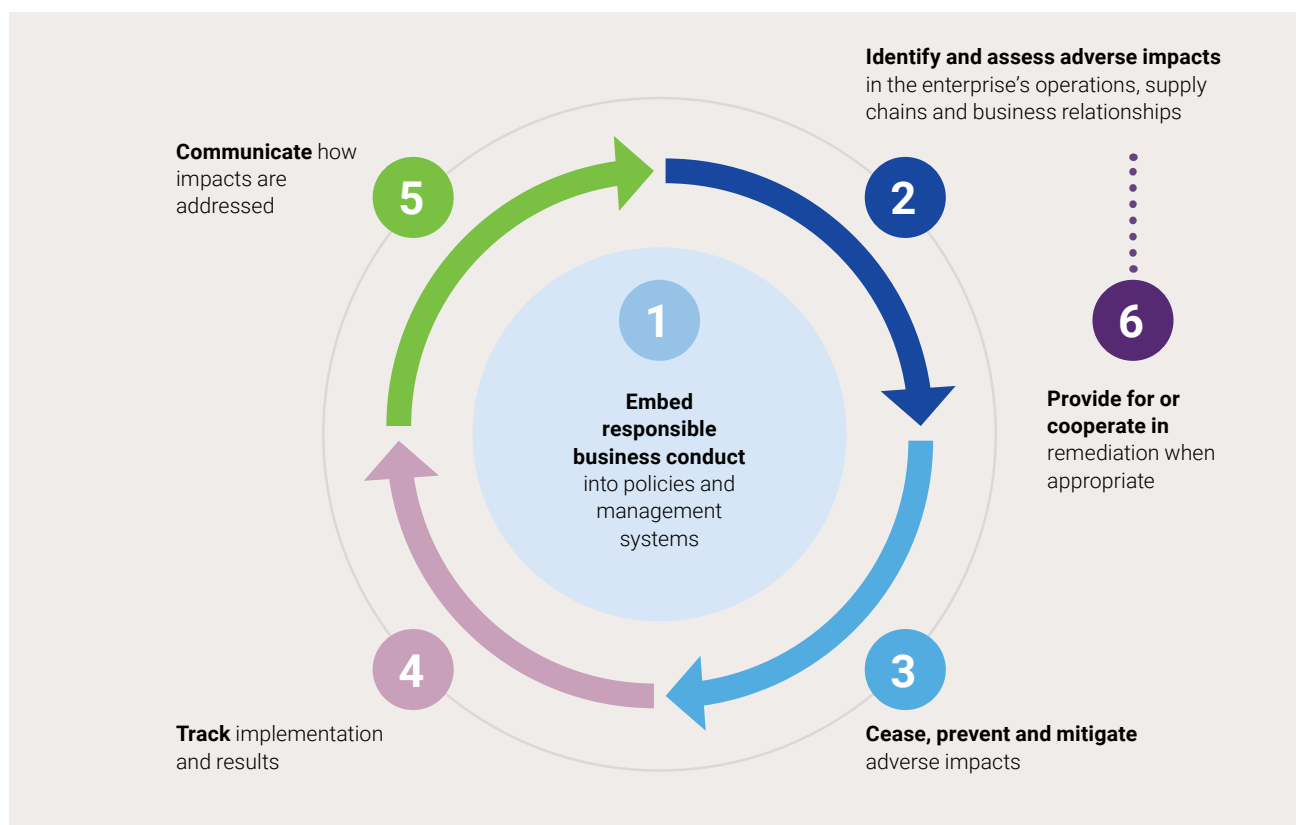


Figure 1. AP3's ongoing due diligence process

Sources: ETI Sverige, OECD Due Diligence Guidance for Responsible Business Conduct

# Risk management

**AP3 regularly analyses** the sustainability risks of its portfolio companies based on third-party data. A minimum level of acceptable sustainability risk determines whether companies' financial instruments are investable. To manage human rights risks in the portfolio and help ensure that human rights are respected, upheld and, where necessary, strengthened, AP3 works primarily through advocacy and dialogue with companies with operations or value chains in sectors or countries with a higher risk profile.

The most prominent human rights risks are those that can have a serious adverse impact on people through the Fund's investments. AP3 prioritises managing the most serious risks based on how they can affect people, rather than the risk to AP3 or AP3's investments. This ensures that AP3 acts responsibly with regard to human rights.

## Influence through active stewardship

AP3's ambition is to fulfil its mission as a responsible owner through active stewardship. This means that the Fund also invests in high-risk companies and sectors, provided that the companies are deemed to have the ambition to manage human rights.

AP3 endeavours to ensure that the companies in the portfolio are aware of the human rights risks to which their operations are exposed and that they themselves pursue ambitious efforts with clear targets. This applies to both listed and unlisted companies and bond issuers.

AP3's most serious impacts should be prioritised and addressed first. If it is suspected that an adverse impact may be linked to the Fund's investments, the Fund intends to use its influence to bring about positive change.

Exerting influence in concert with other investors and stakeholders often has the most significant impact. AP3 contributes to the development of human rights by participating in several cooperation initiatives, including the Investor Alliance on Human Rights and PRI Advance (more information on initiatives on AP3's website).

A specific risk assessment model (screening) is applied. The assessment aims to take into account whether particularly vulnerable groups have been or may be adversely affected, and whether the company and its value chain are in a sector or countries with an elevated risk of human rights violations.

## Sectors and companies that AP3 believes have increased risks in relation to vulnerable groups

AP3 will pay special attention to people affected by climate change and the ongoing energy transition. AP3 wants to contribute to a just transition.

In the transition to an economy based on renewable and fossil-free energy, many people may be adversely affected if the risks are not properly managed. For example, the energy transition will increase the demand for minerals and raw materials necessary for electrification. Extraction may lead to increased adverse impacts on many already sensitive local communities. In addition to mining companies, buyers and users of the minerals, such as the car industry, also have a responsibility to manage the risks. In addition, the expansion of renewable energy, such as wind and solar farms, may have an impact on people's living environment. Many of these products are also manufactured in countries with elevated human rights risks.

Guidelines, such as the UNGPs, stipulate that investors should 'pay special attention to any particular human rights impacts on individuals from groups or populations that may be at heightened risk of vulnerability or marginalization'.

AP3 has identified the following sectors in its portfolio with expo-

sure to groups and individuals at risk of having their human rights violated due to discrimination, marginalisation or lack of protection:

- mining
- renewable energy
- car manufacturers
- property companies.

AP3 conducts systematic advocacy work with companies in these sectors.

## AP3's criteria for high-risk countries and companies in relation to human rights

AP3 has developed a framework to assess and evaluate countries based on critical governance parameters such as democracy, respect for human rights, freedom of expression, rule of law, justice and corruption. The governance of a country has implications for the overall risk assessment. Investments in countries with poor governance are more likely to move in an unsustainable direction, exposing the Fund to unjustifiable risk.

AP3 will work to ensure that human rights, particularly as they relate to the companies' activities in these countries, are respected, upheld and strengthened where necessary.

When investing in companies with operations in challenging countries and long and extensive supply chains, an in-depth review is carried out. The companies must, in line with AP3's expectations:

1. publish a human rights policy;
2. present a screening process for identifying risks and how they manage risks.

If the company is reported to be involved in serious incidents, an assessment must be made of how the company deals with these.

AP3 has selected sectors with a material risk of human rights violations and abuses where investments require deeper analysis. These sectors are presented in the table below.

GICS Industry	GICS Sub-industry
Metals & Mining	Apparel, Accessories & Luxury Goods
Automobile Components	Footwear
Automobiles	Textiles
Semiconductors & Semiconductor Equipment	Apparel Retail
	Electric Utilities
	Renewable Electricity

Table 1. Sectors with an increased risk of human rights violations




## Avoiding investment in companies with no human rights ambitions

AP3 does not invest in companies that systematically and extensively violate international conventions. AP3 systematically monitors the companies in its investment universe. The media, other investors, stakeholder organisations, authorities, courts and UN bodies, among others, are sources used to detect corporate incidents.

Each incident is analysed, with this process including dialogue with the company. If the dialogue is not constructive or the objective of the dialogue is not met, AP3 may choose to exclude the company. The dialogue is conducted via the Council on Ethics of the Swedish AP Funds.

# Targets and metrics

AP3 has set targets and metrics for its human rights work that are monitored annually.

	Target description	Target	Target year	Metric
	<b>Companies with a human rights policy</b> Companies in high-risk sectors must have a human rights policy in place	100%	2030	Percentage
	<b>Companies with a due diligence process</b> Companies in sectors identified as having exposure to vulnerable groups	100%	2030	Percentage
	<b>Internal screening</b> AP3 will carry out portfolio screening and report the results	Annually	NA	Implemented, activity

## Reporting and monitoring

Once a year, AP3 updates the information about the progress regarding sustainability detailing its work on human rights during the year, any serious incidents that have occurred and the dialogues conducted. The work conducted via the Council on Ethics of the Swedish AP Funds is reported in the Council's annual report.

Once a year, the Fund also publishes a stewardship report containing information such as how AP3 voted at annual general meetings.

AP3 also regularly meets representatives of various stakeholder organisations. The purpose of these meetings and dialogues is to keep the Fund informed of key sustainability issues and to obtain new information and knowledge that can form the basis for further development of the Fund's work.





## AP3's expectations of companies regarding human rights

**AP3's expectations of** the companies are based on internationally recognised principles, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. These expectations form the basis of investment decisions and the advocacy dialogues the Fund conducts.

The expectations are primarily aimed at the companies' boards, which are responsible for understanding the environmental and social impacts of the company's activities. The boards should therefore guide and scrutinise management's work on these issues. Their responsibility also includes reporting material information to investors and other stakeholders.

As a global investor, AP3 operates in markets with many different local laws and regulations. AP3 considers that companies have a responsibility to comply with international conventions, regardless of whether these are aimed at states or companies. This responsibility applies regardless of whether the countries in which the companies operate have signed the conventions or have weaker legislation. AP3's expectations are particularly high for companies with their own operations, supply chains or other business relationships, as well as through the use of its products and services, in high-risk sectors, high-risk geographies or other risky environments. In such situations, AP3 expects companies to commit to further checks.

**To fulfil AP3's responsibilities concerning respecting human rights, the companies in which AP3 is invested are expected to:**

**Be as transparent** as possible about the challenges and risks they face and the priorities they set in their efforts to respect human rights.

**Adopt and implement guidelines and processes** that are appropriate to the size of the company and in relation to the relevant circumstances of the companies' operations and value chains.

**Ensure that boards guarantee that their companies fulfil their responsibility to respect human rights in line with the UN Guiding Principles on Business and Human Rights.**

Boards must be aware of the company's most serious human rights risks and ensure that the company:

- publishes a policy commitment to fulfil the responsibility to respect human rights;
- has a process for conducting screening and risk analysis of its operations (due diligence) in relation to human rights to identify, prevent and mitigate violations (actual and potential);
- reports openly and transparently on the impacts of its work;
- has processes to address human rights violations, and provides redress in accordance with the UNGPs in cases where the company has caused, contributed to or can be linked to adverse human rights impacts;

Companies should work in accordance with [GuidingPrinciplesBusinessHR\\_EN.pdf \(ohchr.org\)](https://www.ohchr.org/documents/E/huridocda/huridoca/doc/undoceng/u/guidingprinciplesbusinesshr_en.pdf).

