

”to act in accordance with our principles on engagement, action, and change, with the aim of making a difference.”

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About the Ethical Council

The First, Second, Third, and Fourth AP Funds (AP1, AP2, AP3 and AP4) are buffer funds in Sweden's national pension system, managing the pension capital accrued by everyone who has ever worked in Sweden. In 2001, the four competing Funds were all given the same assignment: to invest Sweden's pension capital so as to achieve the greatest possible benefit for the pension system and generate high long-term returns with a low level of risk. In so doing, the Funds must exercise ethical and environmental consideration without compromising the overall objective of attaining a high return.¹

Together we are stronger

Since 2007, AP1, AP2, AP3 and AP4 have been coordinating their work on environmental and ethical issues through the joint Ethical Council. The purpose of the Council is, through engagement and joint initiatives, to push for positive change in foreign companies associated with violations of international conventions on the environment and human rights. The Ethical Council consists of a member from each Fund. The Chair, which alternates between the Funds, was held by AP4 in 2010 and has now transferred to AP1 for 2011.

Key advantages of the Ethical Council

- The combined assets under management of the four Funds, SEK 875 billion², increase the chances to influence a company compared to individual action.
- The Ethical Council is an attractive partner for other international investors with a similar environmental and ethical agenda, which further increases the scope to exert an influence.
- The nature of the Ethical Council's cooperation enables the Funds to work in a more time- and cost-effective manner. This greater efficiency finds expression in an increased number of company dialogues, an increased number of international investor initiatives, and a greater number of consultations, workshops, and conferences at which the Council is represented.



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1. See the preamble to the National Pension Insurance Funds (AP Funds) Act 2000:192, which governs the work of the Funds.

2. Per 31 december 2010

The media on the Ethical Council and companies the Council is engaged in dialogue with

The Ethical Council is engaged in a number of cases where companies can be linked to violations of conventions. Below is a selection of articles, written during 2010, in which the Ethical Council and/or other companies are mentioned.

Press clippings from 2010

1 DIALOGUE WITH THE CANADIAN MINING COMPANY GOLDCORP

The Ethical Council is engaged in dialogue with Goldcorp, a Canadian mining company, regarding its activities in Guatemala. This dialogue has so far resulted in an independent evaluation, carried out with reference to how human rights issues have been addressed. The evaluation has also led to the company implementing a number of measures over 2010 aimed at improving the situation.

Read more on page 22

2 CALL FOR ACTION AHEAD OF UN CLIMATE MEETING IN CANCUN

All the AP Funds belonging to the Ethical Council have become affiliated to the Institutional Investors Group on Climate Change in 2010. Together with over two-hundred international investors, the AP Funds signed a call for action ahead of the United Nations Climate Change Conference in Cancun. This appeal sought to call attention to the investors' need for long-term planning and clarity in the framework around the climate agreements in order to facilitate investments in new technology.

Read more on page 29

3 AP FUNDS TACKLE COMPANIES HEAD-ON

The work of the Ethical Council is recognised both internationally and domestically.

Read more on pages 4–29

4 FOCUS ON LABOUR RIGHTS

Walmart är ett av de bolag Walmart is one of the companies with which the Ethical Council is engaged in dialogue. In this case, the focus lies on workers' rights. During the summer of 2010, the company reached a high-profile agreement with trade unions and local organisations in Chicago, where they want to construct a small store in a local suburban district.

Read more on page 24

5 DIALOGUE WITH THE MINING COMPANY VEDANTA

The Ethical Council has been engaged in dialogue with mining company, Vedanta, in respect of its establishment of a bauxite mine in the Indian state of Orissa. The Council has demanded that construction activities at the mine be suspended until such time that a transparent evaluation process in relation to human rights has been undertaken, or, alternatively, until such time that the company can demonstrate, by any other means, that the human rights of the indigenous population are being respected. In August 2010, the Indian Environment Ministry decided to withhold granting Vedanta a licence for the planned bauxite mine, meaning that the objective of the dialogue had been achieved.

Read more on page 20





Annika Andersson
AP4
Chair 2010
(www.ap4.se)



International conventions signed by Sweden, and the United Nations Global Compact, to be appropriate points of departure for our assessment of companies.

Committed owners working towards change

By using our ownership to exert influence on companies to act responsibly, the Funds, working collaboratively, are able to make a difference. Our collaboration with other international investors gives us increased vigour to bring about change.

The Ethical Council has now been active for four years, and a great deal has transpired since its formation in 2007. The Council's level of ambition has gradually risen as our experience and knowledge base have broadened. Environmental and ethical issues have also gained increasing importance among investors, and demands from the wider world have intensified considerably. During the year, in order to further improve the quality of our work, we have broadened the Council's resources by employing a Secretary-General. Alongside our on-going work engaging in dialogue with companies, this has enabled us to review our internal processes with a view to systematising information and analyses.

Core values in support of global dialogues

The four AP Funds' jointly held core values have been further developed during the year. It is our conviction that the Ethical Council's principles of engagement, action, and change constitute the best way forward for us, as responsible long-term investors, as opposed to the immediate sale of our holding in the companies. This can be compared to the natural stance adopted by a person who bears witness to an assault, or robbery, on an open street, for example. In such a case, the witness would not necessarily immediately leave the scene because the crime was so awful (sale of our holding in the company), but rather make an attempt to prevent the crime from being carried out, or help the victim, either by intervening, or threatening to intervene, or even by calling the police or emergency services (commitment, action, and change, in order to make a difference).

Owing to their status as government authorities, it is crucial that the AP Funds act in accordance with generally accepted norms, as opposed to individual opinion. This is especially important considering that the companies in which the Funds invest are spread throughout many different countries – countries that do not always adhere to the same standards and norms on ethical and environmental issues as we do in Sweden. Therefore, we consider those international conventions signed by Sweden, and the United Nations Global Compact, to be appropriate points of departure for our assessment of companies.

By acting as strategically accountable and dedicated owners, the Funds are able to exert influence on companies the world over to improve their efforts on environmental and social issues, and consequently continue enjoying the public's confidence.

Dialogue demands perseverance

After actively engaging in dialogues with a number of companies over a period of four years, we know better than most that dialogue takes time. Initially, this was partially due to our lack of experience in communicating with companies about ethical and environmental problems. However, above all, it was clear that companies were unaccustomed to investors placing these kinds of demands upon them. Now, together with several other companies, we have learned more about how these dialogues work. Nevertheless, we have not concluded as many dialogues in 2010 as during previous years. This is partly due to the fact that companies have generally become better at tackling environmental and social issues as an integral part of their daily

business, and, as a result, react more swiftly, adopting essential measures when incidents arise. This is exactly what we and many other investors have been striving for – companies autonomously implementing systems and setting aside reasonable resources in order to handle the problems arising in their businesses.

As a consequence, in the future, the Ethical Council may find itself taking on more time-consuming dialogues based on more complex issues. Our philosophy is that every case where progress is achieved is significant, and, even though we aim to bring about comprehensive change, we must also value those cases resulting in a lesser degree of change.

Our dialogue with Walmart highlights a case where a drawn out dialogue has thus far only resulted in modest improvements being made. A number of large institutional investors have expressed concern over Walmart's stance, primarily on labour law issues. The Ethical Council shares these concerns, which is why we persist in our dialogue with Walmart. Despite the dialogue's stuttering progress, we continue efforts to exert influence on these issues. However, as long as progress is being made, we intend to continue this dialogue and place demands on the company.

Concluded dialogues

In 2010, we concluded our dialogue with the mining company Vedanta. Our objective with this dialogue involved the suspension of Vedanta's planned mining operations in the state of Orissa, or, alternatively, the company proving it had carried out a transparent evaluation process demonstrating that the rights of the indigenous population had been respected. In this case, the stated objective has not been achieved as a result of our engagement but rather as a consequence of the Indian authorities' decision to refuse to grant a mining licence. Nevertheless, we will continue monitoring Vedanta for five years, just as we would with any other company removed from our dialogue register. More comprehensive details regarding the demands made on Vedanta can be found later in this report. It is our conviction that, by working together with other stakeholders, we can exert influence on Vedanta to operate more transparently and responsibly in the future.

During the year, we also engaged in an intensive, rewarding dialogue with Goldcorp, leading to good results. However, the Council has decided not to remove the company from its dialogue list for the time being, pending the implementation of a number of planned measures.

Recurring issues

The Ethical Council regularly receives enquiries on a number of problem areas. Among other things, these enquires relate to areas in which the Council's assessment differs from that of other open, transparent, institutional investors, for example, the Government Pension Fund – Global, in Norway (SPU). Other enquiries relate to issues such as how the AP Funds can justify investment in companies carrying on particular operations or companies running operations in particular countries.

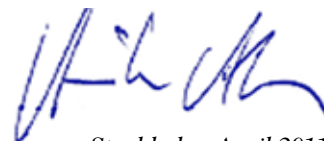


Despite being at the cutting edge in the area of ethics and the environment among international investors, we still house a strong desire to constantly improve, and effect even greater change.“

One area pinpointed for thorough examination in 2010 was investments made in companies which, by various means, are involved in maintenance and/or development of systems related to nuclear weapons. With our convention values as a point of departure, we have examined these companies more closely from the perspective of the only convention applying in this area – the Non-Proliferation Treaty³. This convention, signed and endorsed by Sweden, allows companies domiciled in one of the five countries whom, under the terms of the agreement, have the right to possess nuclear weapons, to carry on certain activities; these include service and maintenance, and development of new guidance systems for existing missiles as well as new missiles. Therefore, in the context of this analysis, the Ethical Council does not advocate general exclusion of companies engaged in nuclear weapon production.

Constant improvements

In conclusion, I would like to thank my colleagues on the Ethical Council for their highly constructive cooperation. Everyone has demonstrated an unflinching commitment to ethical and environmental issues, as well as a strong willingness to make a difference. Furthermore, we have demonstrated that the four Funds are able to accomplish excellent results working collaboratively in a cost-effective, result-orientated manner. I look forward to participating in the continued development of the Ethical Council's work in 2011. Despite being at the cutting edge in the area of ethics and the environment among international investors, we still have a strong desire to constantly improve, and effect even greater change.



Stockholm, April 2011,
Annika Andersson, AP4
Chair of the Ethical Council, 2010

3. Non Proliferation Treaty, NPT

The AP Funds' core values – Premise of the Ethical Council

AP1, AP2, AP3 and AP4 manage capital for current and future pensioners. The Funds have been given the same assignment by the Swedish Parliament; that is, to achieve high returns at a low level of risk. In so doing, the Funds must exercise ethical and environmental consideration without compromising the overall objective of attaining a high return.

The Funds' core values, when taking into account environmental issues and ethical dimensions in their work, involve acting according to principles on commitment, action, and change, with the purpose of making a difference. The Funds make a difference by proactively pursuing sustainable development in areas that promote high yield in the long term, and by getting involved in companies in which problems have been identified that are judged to be significant and well documented. This constitutes a responsible, ethical code of behaviour as owner. If the Funds terminate their ownership, there is no guarantee that the problem will disappear, and the unsatisfactory state of affairs may persist. For this reason, selling the Funds' holdings is only seen as a measure of last resort, when the possibility of effecting change is deemed futile.

As part of the Swedish pension system, the AP Funds rest on the same principles of commitment, action and demand for change as those that form the core values of the Swedish state. Central tenets of these values include democracy, the equal value of all people, the freedom and dignity of the individual, and sustainable development, in accordance with the wording of the Instrument of Government.

The Swedish Government's core values also find expression in those international conventions that Sweden has signed, which include conventions on the environment, human rights, labour law, corruption and inhumane weapons, as well as through the support given to initiatives such as the United Nations Global Compact and OECD guidelines for multinational companies, in addition to Sweden's own stance on international public law issues. In tandem with the Swedish Government's value system, international conventions constitute essential instruments for the Ethical Council in its efforts to ensure the AP Funds satisfactorily take into account environmental issues and ethical dimensions in their work.

In its work, the Ethical Council maintains that all conventions that Sweden has signed are of equal value and must be complied with. This point of departure is also supported in decisions and declarations from various UN bodies stating that human rights are universal, inseparable, interdependent, interrelated and all of equal importance.

The Funds maintain that companies themselves bear a responsibility to ensure they do not contribute towards contravening international conventions, regardless of whether they relate to states, individuals, companies or organisations. This responsibility applies regardless of whether those countries in which the companies are active have signed the conventions and/or have weaker legislation.

In the event that a company in which the Funds have invested is found to be linked to a convention violation, the Funds' basic premise is to use their ownership to ensure the violation is discontinued, work towards the implementation of a preventative system, and adopt measures preventing future violations. By using their ownership to engage in an issue, taking action against violations of conventions, and making demands regarding change, the Funds are able to make a difference. It is only when these measures cannot be carried out that the sale of the Funds' holding in the company is considered.

The Funds' core values:

To act on the principles of

- Commitment
- Acting
- Change

Global Compact

a voluntary UN initiative encouraging companies to align their operations with ten universally accepted principles. The ten principles are based on UN conventions in the areas of human rights, labour law, the environment, and anti-corruption.
(www.unglobalcompact.org)

ILO

International Labour Organization – the UN agency for labour law issues and working conditions. The ILO embraces representatives from both sides of the employer/employee divide. It has produced a number of conventions on labour rights, of which the best known are the eight ILO Core Conventions dealing with freedom of association and the right to organise, forced labour, discrimination and child labour.
(www.ilo.org)

OECD's guidelines for multinational companies

are common guidelines for multinational companies produced by 40 governments. The guidelines have been negotiated together with representatives of employers, trade unions and NPOs at OECD. (www.oecd.org)

The work of the Ethical Council is made up of two components:

- Preventive work
- Follow-up work

The work method is based on a systematic process that aims to identify violations of international conventions.

The work of the Ethical Council

The work of the Ethical Council is based on commitment, action, and change, with the objective of making a difference. This work comprises two elements which continually work in tandem, and are equally significant in terms of securing long-term commitment, consistent courses of action, and sustainable change.

The first element involves monitoring work, which consists of identifying companies that may be linked to convention violations. Our guiding principles of commitment, action, and change find specific expression in our efforts to engage in dialogue with companies and exert pressure on them to deal with claims of convention violations, as well as implementing preventative systems to hinder future convention breaches.

The second element features proactive work in which, through various industry and investor initiatives, the Ethical Council works to influence companies to increase transparency, act more responsibly and address crucial ESG (environmental, social and governance) issues.

Underpinned by these two interacting endeavours and its principles on commitment, action and change, the Ethical Council is able to achieve a greater impact as other investors and companies share a common view. In this way, the conventions and the core values' ethical principles are brought into sharper focus. This generates real power to achieve change and make a difference.

When the possibility of accomplishing desired, essential change through dialogue is deemed futile, the Ethical Council recommends that the AP Funds sell their holding in the company in question. However, the Council views sale as a last resort, and it is made in the regrettable knowledge that the problem, in all likelihood, is unlikely to recede due to the Funds' withdrawal, and that there is every risk that the unsatisfactory state of affairs may persist.

A systematic process

The four AP Funds that are members of the Ethical Council invest in several thousand limited companies on a global basis. A considerable share of the Funds' holdings is managed passively, which means that the investments are not preceded by an assessment of the individual company; rather they are steered by the company's market index status. As a result, the Funds' ownership is spread among relatively small holdings in several different companies. In this context, the Ethical Council employs a systematic process in order to identify those holdings where its commitment can be most beneficial.

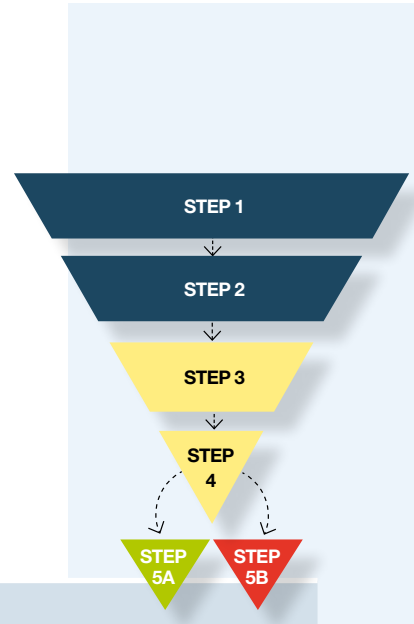
The working method of the Ethical Council is based on examining the four AP Funds' share portfolios for violations of international conventions. The Council aims to engage in active dialogues with those companies found to have violated conventions, with a view to persuading them to adopt measures discontinuing the violation, and ensuring that preventative systems are implemented precluding future violation breaches. These examinations are carried out with the assistance of external consultants who continually seek and gather relevant information on companies from a broad range of sources, including United Nations sources, the media, and reporting from various volunteer and stakeholder organisations. The shareholdings of the AP Funds are matched against this database, and in cases of reported incidents involving violations of international conventions, these companies are investigated further. The task of the consultant is to verify the sources and contact the company for their comments on the reported violations.

When violations have been confirmed, the Ethical Council initiates a dialogue with the company. In the cases presented in this report, the Ethical Council conducts this dialogue itself. Dialogue with other companies is conducted by the consultant, who continuously reports on developments in dialogues initiated and brings new incidents to the attention of the Ethical Council.

In the companies with which the Ethical Council conducts a direct dialogue, it is deemed that the problems are significant and well documented and that the involvement of the Ethical Council could make a difference.

A dialogue may last for several years. As long as it continues to progress, and the Ethical Council believes in the possibility of influencing the company in a positive direction, the Council is willing to devote time and resources to the dialogue.

Although a large number of sources are monitored, there is naturally always a risk that something might be missed. If the Ethical Council receives information about a violation by some other means, this is immediately integrated into the same systematic process as the other information.



	Consultant ⁴	Ethical Council
STEP 1 Examination of the holdings of the Funds	Systematic monitoring of information on approx. 4,200 companies. Sources include media, stakeholder organisations and UN bodies.	The Ethical Council becomes aware that an incident has occurred in one of its portfolio companies.
STEP 2 Closer investigation	Around 100-200 companies are investigated more closely, based on reports of alleged violations of international conventions.	
STEP Choice of dialogue company	Dialogues are also maintained with the companies (under step 2) with which the Ethical Council has chosen not to enter in direct dialogue, but where suspected or confirmed violations of international conventions exist. The dialogues with these companies are carried out by the consultant, on behalf of the Ethical Council and other clients.	The Ethical Council takes the initiative to start direct dialogues with 10-15 companies where problems are significant and well documented. The Ethical Council targets these companies with active corporate governance work.
STEP 4 Dialogue work		Additional pressure is applied. This includes cooperation with other investors, plus filing resolutions and voting at AGMs.
STEP 5 A The objective of the dialogue is achieved	Special monitoring of the company for 5 years.	If the first four steps achieve the desired result, the company is removed from the Ethical Council's dialogue list.
STEP 5 B Sale recommended		If the first four steps do not produce the desired results, each individual Fund makes a decision on the possible sale of its holding based on a recommendation from the Ethical Council. The Ethical Council then contacts the above companies once a year to check whether the situation has changed and to urge the company to operate in line with international conventions.

4. GES Investment Services

A global focus

The Ethical Council is monitoring a number of cases in which companies are linked to breaches of international conventions and principles. The First, Second, Third and Fourth AP Funds that make up the Ethical Council invest in globally diversified portfolios comprising several thousand international companies. Since the Council lacks the resources to exercise active corporate governance in all of these companies, it selects a certain number on which to focus its efforts. The companies selected are deemed to have significant and well-documented problems, and the Council's involvement is considered to be able to effect change.

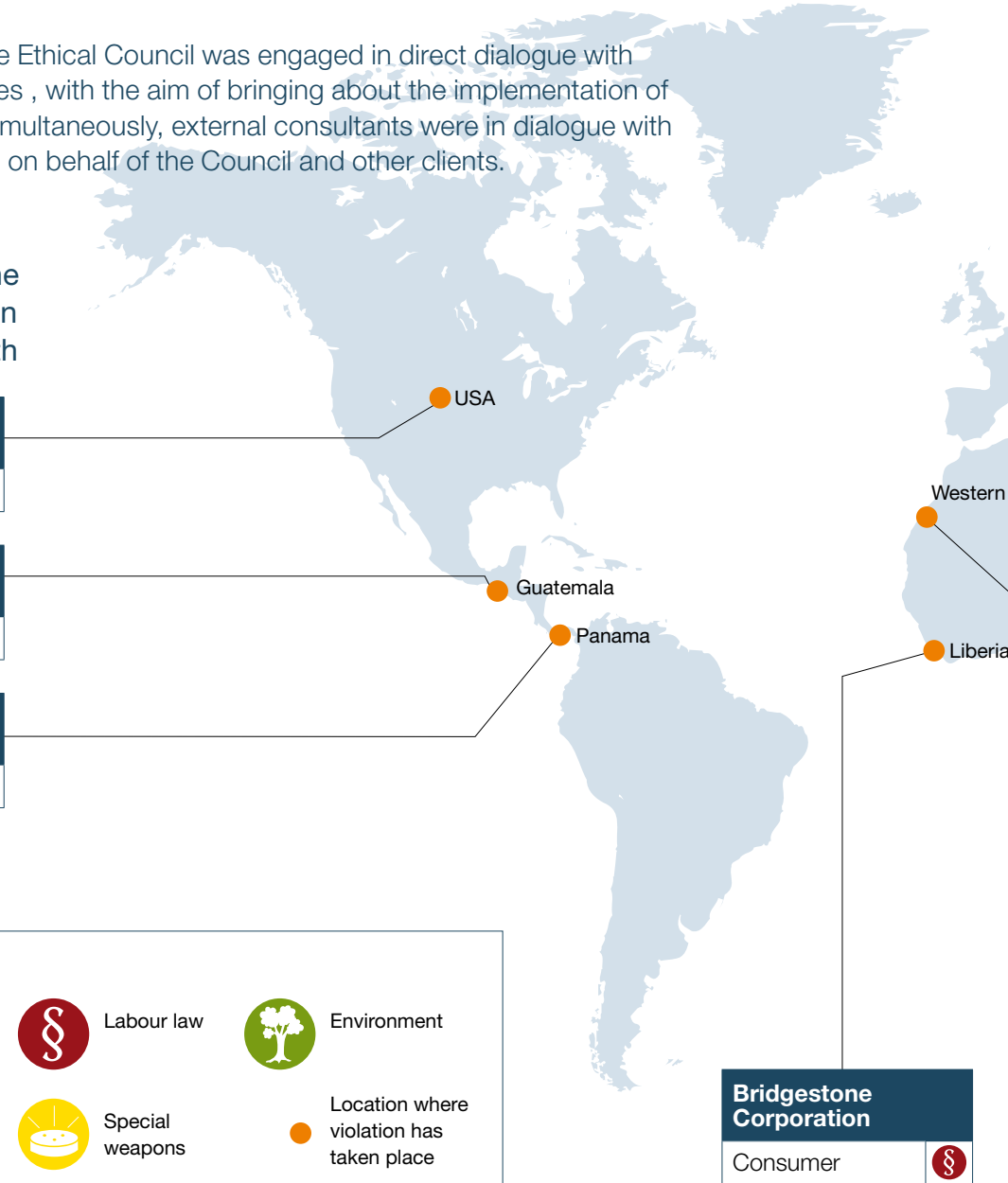
At 2010 year-end, the Ethical Council was engaged in direct dialogue with around ten companies, with the aim of bringing about the implementation of certain measures. Simultaneously, external consultants were in dialogue with 100–200 companies on behalf of the Council and other clients.

Companies that the Ethical Council is in direct dialogue with

Walmart	Consumer	§
Goldcorp	Raw materials	AP
AES	Energy	AP

Problem areas:

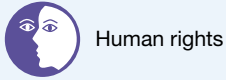
 Human rights	 Labour law	 Environment
 Corruption	 Special weapons	 Location where violation has taken place





Companies in which the objectives of the dialogue were achieved in 2010

Problem areas:



Human rights



Labour law



Environment



Corruption



Special weapons

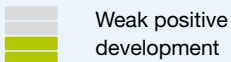
Development is rated according to the objectives set in each individual case.



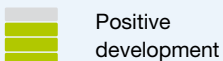
No positive development



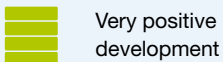
Signs of development



Weak positive development



Positive development




Very positive development

The status of the dialogues refers to development as of the year end 2010.

The Ethical Council is engaged in active dialogues with companies in breach of conventions, with the aim of persuading them to discontinue their violations and ensuring that they implement preventative systems precluding future convention breaches.

A company is removed from the Ethical Council's dialogue register when the objectives set by the Council when the dialogue was commenced have been met. Subsequently, the company becomes subject to special monitoring for five years.

Vedanta

Domicile	Sector	Location	Area	Development
Great Britain	Raw materials	India	 	  2009 2010

Incident: Vedanta Resources Plc. has been linked with serious negative environmental impact and human rights violations in connection with the establishment of a bauxite mine in Niyamgiri, India, contrary to ILO Convention 169 concerning Indigenous and Tribal Peoples.

Objective: The suspension of construction activities at the mine until such time that a transparent evaluation process in respect of stated human rights violations has been carried out, or that the company, by any other means, can demonstrate that the rights of the indigenous population have been respected.

Comment: In August 2010, the Indian Ministry of Environment and Forests reached the decision not to grant a licence to Vedanta for the planned bauxite mine, which meant the objective of the dialogue had been achieved. Nevertheless, the Ethical Council plans to continue monitoring Vedanta; read more on page 20.

Companies in which the objectives of the dialogue were met prior to 2010

Below is a list of companies that have been removed from the Ethical Council's dialogue register since its introduction in 2007 as a result of objectives having been met. More information regarding concluded company dialogues can be found on the Ethical Council's website.

BHP Billiton

The company was linked to violations of the right to sign a collective agreement in Australia, contrary to the ILO Convention on freedom of association and the right to collective bargaining.

2008



Chevron

The company was linked to violations of human rights in Nigeria, contrary to the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.

2008



Halliburton

The company was linked to violations in relation to corporate governance shortcomings and bribery in Iraq and Nigeria, contrary to the UN Convention against Corruption.

2007



Sodexo

The company was linked to violations in relation to inhumane conditions for inmates at an immigration compound in the United Kingdom, contrary to the UN Universal Declaration of Human Rights and the UN Convention Relating to the Status of Refugees.

2008



Grupo Ferrovial

The company was associated with a road construction project that infringes on a nature reserve in Poland, contrary to the UN Convention on Biological Diversity.

2009



PetroChina

The company was associated with deficient safety procedures and emissions of chemicals into the Songhua River in China, contrary to the Basel Convention on Hazardous Waste.

2009



Thales

The company was associated with bribery of officials in a number of nations, contrary to the UN Convention against Corruption.

2009



Yahoo

The company was associated with violations of freedom of expression in China by the company's joint venture in China disclosing user information about several journalists that later led to their imprisonment. This conduct by the company is contrary to the UN Universal Declaration of Human Rights, which includes the right to freedom of opinion and expression.



2009



For further information see the web site of the Ethical Council:
www.ethicalcouncil.com

Ongoing dialogues



AES

Domicile	Sector	Location	Area	Development
USA	Energy	Panama		 2009 2010

Incident: AES Corporation has been associated with violations against the rights of the indigenous peoples in Charco la Pava in connection with construction of the Chan 75 hydroelectric dam in Panama. The violations have been condemned by the UN's special rapporteur on human rights and fundamental freedoms of indigenous peoples and are contrary to ILO Convention 169 concerning Indigenous and Tribal Peoples.

Objective: To suspend construction of Chan 75 until a transparent and inclusive evaluation process has been carried out in accordance with the principle of free prior and informed consent as stated in ILO Convention 169 and in the UN Declaration on the Rights of Indigenous Peoples, or until the company can otherwise show that the rights of Charco la Pava are being respected.


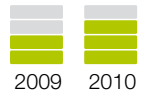
Alstom (New)

Domicile	Sector	Location	Area	Development
France	Industrials	Palestinian territories		 2010

Incident: Alstom, S.A. has been associated with violation of the Fourth Geneva Convention by delivering custom-made trains to a tram connection that links western Jerusalem and the settlements located in the Israeli-occupied Palestinian territory.

Objective: For Alstom to discontinue its involvement in the project or for the company to transparently and reliably demonstrate that the project is being carried out in accordance with the wishes and interests of the Palestinian population.

Bridgestone



Domicile	Sector	Location	Area	Development
Japan	Consumer durables	Liberia		 2009 2010

Incident: Bridgestone Corporation has been associated with child labour at its rubber plantation in Liberia, contrary to the UN Convention on the Rights of the Child.

Objective: For Bridgestone to take concrete measures to prevent the occurrence of child labour and to implement a scrutiny mechanism to secure compliance with this. As a preventive measure, the company should adopt a policy on child labour for all of its operations.

Comment: In 2010 the company signed a further collective agreement with the trade union. According to the company, the terms of the new agreement mean that there is no reason for employees to engage child labour in order to meet their quotas. The Ethical Council is waiting for confirmation of this.

Freeport-McMoran




Domicile	Sector	Location	Area	Development	
USA	Raw materials	Indonesia		 2009	 2010

Incident: Freeport-McMoran is associated with a serious negative environmental impact through its mining operations in Indonesia, contrary to the UN Convention on Biological Diversity, and with accusations of corruption.

Objective: For the company to report on how it is working to minimise its impact on the environment and to draw up a plan for reinstating the area once mining operations have ceased.

Comment: The Ethical Council and two other investors, the Dutch ABP and the American New York City Pension Funds, filed a resolution at the 2009 and 2010 AGMs demanding the appointment of an independent environmental expert to the board. The resolution gained one-third of the votes on both occasions. Freeport responded to the resolution by creating a Sustainable Development Committee to the board of its Indonesian subsidiary, PTFI. Read more on page 23.

Goldcorp

Domicile	Sector	Location	Area	Development	
Canada	Raw materials	Guatemala		 2009	 2010


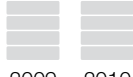
Incident: The Mayan people in communities around the Marlin Mine have accused Goldcorp Inc of failing to respect their human rights and rights as an indigenous people, and of polluting the water and contributing to rising tensions, threats and harassment within the communities. The violation can be linked to the UN Global Compact Principles 1 and 2 concerning Human Rights.

Objective: For Goldcorp to review its policies, programme for and impact on the local population and to take action to ensure respect for the rights of the indigenous people in current and future projects in Guatemala.

Comment: The Ethical Council visited the Marlin Mine in February 2008 along with some Canadian investors. On the recommendation of this team of investors, an independent assessment of the human rights situation in the area was initiated. In 2010, the company presented concrete measures in response to the evaluation's conclusions and recommendations. The majority of these measures are expected to be implemented during the first half of 2011 at the latest. Read more on page 22.

Ongoing dialogues



Incitec Pivot

Domicile	Sector	Location	Area	Development
Australia	Chemicals	Western Sahara		 2009 2010

Incident: Incitec Pivot Ltd. purchases phosphate from a Moroccan company involved in mining phosphate in Western Sahara. Western Sahara has been occupied by Morocco since 1975 and is on the UN list of Non-Self-Governing Territories that must be decolonised. In January 2002, the UN Legal Counsel ruled that no extraction of natural resources may take place in Western Sahara against the will of the Sahrawi population. Doing so would be a contravention of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

Objective: For Incitec Pivot to cease its purchases of phosphate from Western Sahara, or prove that extraction is carried out in accordance with the interests and wishes of the Sahrawi population, in line with the UN declaration from 2002. The company must also adopt a corporate policy that prevents it from breaching international humanitarian law.



Motorola Solutions (New)

Domicile	Sector	Location	Area	Development
USA	Telecom	Palestinian territories		 2010

Incident: Motorola Solutions, Inc. has delivered a custom-designed monitoring system to the settlements on the West Bank. Those settlements that are located on occupied Palestinian land violate international humanitarian law (including the Fourth Geneva Convention), which has been confirmed by the international court in the Hague.

Objective: For the company to cease delivery and maintenance of the monitoring system as well as associated services to the settlements that are located on occupied land. The company must also adopt a corporate policy to prevent it from contributing to violations of international humanitarian law.

Rio Tinto

Domicile	Sector	Location	Area	Development
Australia	Raw materials	Indonesia		 2009 2010

Incident: Through cooperation with Freeport-McMoran Copper & Gold Inc. and its mining operations in Indonesia, Rio Tinto has been associated with serious negative environmental impact, contrary to the UN Convention on Biological Diversity.

Objective: For Rio Tinto to proactively ensure that the necessary measures are implemented so that operations at the Grasberg Mine are in compliance with internationally accepted levels for mining waste management.

Toyota Motor



Domicile	Sector	Location	Area	Development
Japan	Consumer durables	Philippines		 2009  2010

Incident: Toyota Motor Corporation has been associated with anti-union activity in a subsidiary in the Philippines, contrary to the ILO Convention on Freedom of Association and the Right to Organise.

Objective: For the company to address the situation in the Philippines and ensure that an independent trade union is able to act freely, and for the company to adopt a group policy for employees on freedom of association.

Comment: In 2010, the Ethical Council had an intensive, positive dialogue with Toyota, including a meeting with the company in London. However, the dialogue has not yet led to our objectives being met.

Veolia (New)

Domicile	Sector	Location	Area	Development
France	Utilities	Palestinian territories		 2010

Incident: Veolia environnement has been associated with violation of the Fourth Geneva Convention by delivering custom administration and operation services for a tram linking western Jerusalem and settlements that are located on Israeli-occupied Palestinian territory.

Objective: For the company to discontinue its involvement in the project or for the company to transparently and reliably demonstrate that the project is being carried out in accordance with the wishes and interests of the Palestinian population.

Walmart

Domicile	Sector	Location	Area	Development
USA	Consumer non-durables	USA		 2009  2010




Incident: Walmart Stores, Inc has been associated with systematic violation of workers' rights, contrary to the ILO Core Conventions on labour standards both in its own operations and among those of its suppliers. The company is deemed to have actively impeded its employees' right to form trade unions and gain union affiliation.

Objective: For Walmart to strengthen its policies and guidelines so that these are aligned with the international guidelines, and to show a credible monitoring system that secures compliance with the guidelines.

Comment: In 2010, the Ethical Council has had a constructive dialogue with Walmart, together with a small group of international investors, and held a meeting with the company in the United States. The group has provided the company with a number of concrete proposals regarding improvements to workers' rights, especially in relation to its operations in the United States, where the majority of incidents are reported. Read more on page 24.

Companies where the dialogue is inactive, pending the outcome of ongoing legal proceedings

Chevron

Domicile	Sector	Location	Area	Development
USA	Energy	Ecuador		  2009 2010

Incident: Chevron Corporation has been associated with environmental destruction in the Amazon Rainforest in Ecuador, contrary to the UN Convention on Biological Diversity.

Objective: For Chevron to take preventive action by strengthening its guidelines on the environment and undertaking to use the best available technology for extraction across all the company's operations, and to address the specific pollution problems that have arisen out of the company's activities in Ecuador.

Comment: The case is the subject of legal proceedings in Ecuador. The judge in the case has been replaced due to charges of bribery, which has further delayed a verdict. The company denies responsibility for the pollution in the area and claims that it adopted sufficient pollution control measures before it withdrew from the project. The Ethical Council considers that it has come as far as is possible in the process of active dialogue with Chevron and is now waiting for the matter to finally be decided in court, and for the judgement to become legally binding.

Duke Energy

Domicile	Sector	Location	Area	Development
USA	Energy	USA		  2009 2010

Incident: Duke Energy Corporation has been associated with serious air pollutants through failure to modernise a number of coal-fired power plants in the United States, contrary to the Convention on Long-range Transboundary Air Pollution.

Objective: For the company to report how the affected power plants will be made more efficient through modernisation and the implementation of technology to measure and reduce emissions of nitrogen oxides and sulphur dioxide, in accordance with the requirements of the US Environmental Protection Agency.

Comment: The company now has control technologies in place for nitrogen oxides at the eight power stations concerned. Regarding sulphur dioxide, the company has installed flue gas desulphurisation technology at three of the power stations and, according to the company's plans, modern purification technology will be installed at another power station in 2010–11. Two of the power stations are in the process of being decommissioned, and will be closed within three to seven years. For the two remaining power stations, there are no plans for closure or to introduce flue gas desulphurisation technology, since these facilities are smaller and only operate for parts of the year. Since 1990, the United States has had in place a trading system for sulphur dioxide emissions that all the power stations concerned are involved in. Within this system, the company meets all the requirements set by the US authorities. The Ethical Council believes it has come as far as it can in its active dialogue with Duke Energy, and is now awaiting the outcome of the ongoing legal case between the company and the US Environmental Protection Agency (EPA) regarding this incident.

Companies that have been excluded from all Funds

Below is a list of the companies recommended by the Ethical Council for exclusion by the Fund in question. The recommendation has been followed by all Funds.

Alliant Techsystems Inc.

Can be associated with violation of the Convention on Cluster Munitions.

GenCorp Inc.

Can be associated with violation of the Convention on Cluster Munitions.

General Dynamics Corporation

Can be associated with violation of the Convention on Cluster Munitions.

Hanwha Corporation

Can be associated with violation of the Convention on Cluster Munitions.

L-3 Communications Holdings, Inc.

Can be associated with violation of the Convention on Cluster Munitions.

Lockheed Martin Corporation

Can be associated with violation of the Convention on Cluster Munitions.

Poongsan Corporation (samt Poongsan Holdings Corporation)

Can be associated with violation of the Convention on Cluster Munitions.

Raytheon Company

Can be associated with violation of the Convention on Cluster Munitions.

Textron Inc.

Can be associated with violation of the Convention on Cluster Munitions.

Singapore Technologies Engineering.

Can be associated with violation of the Ottawa Convention on anti-personnel land mines.

All the companies named above are domiciled in countries that have not signed weapons conventions regarding cluster munitions and anti-personnel land mines. Consequently, these companies are not obliged to comply with these conventions, in accordance with national legislation. This means that there is little scope for the Ethical Council to exert an influence, since the companies are expected to follow national security policy directives. The Ethical Council has the annual routine of urging these companies to act in compliance with the international weapons conventions.

Elbit Systems Ltd.

Can be associated with violation of international humanitarian law, contrary to the Fourth Geneva Convention.

Both the European Union and the Swedish Government are clear on their stance that those sections of the separation barrier, and the settlements erected by Israel on the occupied territories are contrary to international public law, and, more specifically, Article 49 of the Fourth Geneva Convention, which states that the occupying power may not deport or transfer sections of its civilian population into the territory it occupies.

Vedanta: Objectives of the dialogue achieved but monitoring will continue

Since the spring of 2009, the Ethical Council has been engaged in a dialogue with mining company Vedanta Resources, together with a group of European investors. The objective of this dialogue has been preventing Vedanta establishing a bauxite mine in Niyamgiri, in the Indian state of Orissa. This stance has been taken due to the company's failure to undergo an appropriate process of evaluation, or, by other means demonstrate that it has taken into account the rights of the indigenous population when planning the mine. In August 2010, the Indian Ministry of Environment and Forests⁵ ruled against granting a licence to Vedanta to proceed with the mine, which meant that the Ethical Council's objective for the dialogue had been achieved.

During the course of the dialogue, a number of other shortcomings and problems on the part of the company were identified. As a consequence, the Council plans to continue monitoring Vedanta and make demands on improved transparency, holding dialogues with different stakeholders, and implementing a Group strategy on environmental and social risks.

What interim demands has the Ethical Council made?

When the Ethical Council opens a dialogue, the objective is for the company to address an isolated incident. The incidents can often be ascribed to shortcomings in internal routines and company policies, and, therefore, should not be viewed in isolation. For this reason, the Ethical Council works proactively towards companies implementing preventative policies and improving routines. In the case of Vedanta, the objective was for the company to ensure that routines and processes concerning the evaluation of environmental and social consequences, including the rights of the indigenous population, are implemented.

In tandem with the investment group, the Ethical Council has held ongoing meetings and evaluations, both with Group management and sections of the board, as well as meeting the company in both India and the United Kingdom. The Ethical Council has issued demands on improved transparency regarding the company's work on sustainability, publicising action plans when errors are made, improving communications with stakeholder groups, and clarifying corporate responsibility.

5. Ministry of Environment and Forests



The dialogue's progress – 2010

Initially, Vedanta adopted a defensive stance to communication on sustainability issues; however, during the course of the dialogue, the company has grown increasingly receptive to the investors' views and criticisms. The Ethical Council is able to report increased – if still insufficient – transparency.

As an example of increased transparency, the Ethical Council can report that the company has supplied the Council with requested materials, among them independent evaluations of its work on sustainability. The Council has also put forward suggestions on the company's use of its website as a means of responding to criticism and accounting for its status and processes. In July 2010, Vedanta set up a microsite⁶ in order to provide information on its planned mining operation in Orissa, which was seen as an important sign of progress. Also, in December 2010, the company published an evaluation of its sustainability policies and processes – which was performed by an independent consultancy – on its website. The evaluation also includes recommendations with which Vedanta has promised to comply.⁷

In November 2010, Vedanta established a new position, Chief Sustainability Officer, reporting to the CEO, with responsibility for sustainability work at Group level. Additionally, the person in question will form part of the company's Sustainability Committee, which reports to the Board and also includes some of its members.

The Ethical Council has proposed that Vedanta join the International Council on Mining and Metals (ICMM) and adopt its principles to ensure their operations are run in accordance with internationally accepted standards. A proposal has also been made to arrange a round-table conference involving Vedanta and other mining companies (members of the ICMM) to discuss solutions and problems from the perspective of ICMM principles. Vedanta, however, rejected this proposal.

Different stakeholders exert influence on companies in different ways

Vedanta is an excellent example of how different stakeholders can exert influence on a company using a variety of tools. Media and voluntary organisations have had a considerable impact, and, through their efforts, succeeded in persuading a number of shareholders to become involved in Vedanta. Shareholders have acted in different ways; a small number of investors have excluded the company, while others have continued to apply pressure. All stakeholders play a key role, choosing to exert influence in different ways. We believe we can provide most benefit by using the First, Second, Third and Fourth AP Funds' relatively minimal ownership – a little over 0.19% of Vedanta's share capital⁸ – to try and exert influence. If the Funds sell their holding, the problems do not disappear. The Ethical Council's collaboration with other international owners present greater opportunities to exert influence on the company.

6. <http://lanjigarhproject.vedantaaluminium.com/lanjigarh-project.htm>

7. <http://www.vedantaresources.com/sustainability/scottwilson.html>

8. As of 31 December 2010.





Goldcorp – Despite small shareholdings, we can make a difference

The Canadian mining company Goldcorp owns and operates the Marlin Gold Mine in Guatemala. The mine has been the subject of controversy since the exploration stage, and several local and international organisations have claimed that the operation has had a negative impact on the human rights of the local population, including health issues and access to water and housing.

Since the mine is located in an area inhabited by Mayan Indians, there is concern that its operations may entail certain risks and threats to the traditional Mayan culture. As a result of tensions between the company and opponents of the mine, a series of protests – some more violent than others – have been held in opposition to the mine and Goldcorp.

Demand for independent assessment

In 2008, the Ethical Council visited the Marlin Mine together with Canadian investors, and found that the risk of human rights violations was considerable. Subsequently, backed up by the investor group, the Ethical Council filed a resolution to Goldcorp's Annual General Meeting, demanding an independent human rights assessment. In 2008–2009, at the behest of the group of investors, an independent assessment of the human rights situation around the mine was also carried out. The assessment was presented in the spring of 2010, and contained a long list of recommendations on how the company ought to proceed in order to improve the situation for residents and employees at the Marlin Mine, primarily regarding health, safety and the environment. Some weeks later, Goldcorp unveiled a package of measures based on the assessment, providing a response to every point listed. Subsequently, in October, Goldcorp issued its first interim report providing details on which issues the company had managed to resolve. The majority of these measures are expected to be implemented during the first half of 2011.

Goldcorp's response to the assessment and subsequent action plan demonstrates that the company is actively working to improve the situation in the Marlin Mine. Information on how Goldcorp intends to act in the future has also been provided. These efforts include, among other things, the introduction of policies on sustainability and human rights, and indications have been given that these issues are now treated in the highest echelons of the organisation.

The Goldcorp case is an excellent example of how investors – even those with a minimal holding, in this case the First, Second, Third, and Fourth AP Funds (in total, 0.11% of share capital⁹) – can exert influence on companies to act in a positive manner.

9. As of 31 December 2010.

Freeport-McMoRan – focus on waste management

The Ethical Council has been engaged in dialogue with Freeport-McMoRan Copper & Gold since 2007 in respect of the environmental impact caused by its Grasberg Mine, located on the island of Papua in Indonesia. Lying some 4,500 metres above sea level in mountainous terrain, the mine neighbours a national park designated as a UNESCO World Heritage Site.

The company's handling of mining waste has been the subject of criticism from environmental organisations and investors for some time, not least due to the dumping of tailings into a nearby river. Illegal practice in the majority of states, this occurs only on the island of New Guinea (which is shared between Indonesia and Papua New Guinea). For its part, Freeport-McMoRan claims that the terrain, the heavy rainfall, and the fact that the area is seismically active make the river the only possible alternative for waste disposal. Moreover, the company calls attention to the fact that it has obtained permission for this from the Indonesian Government. For their part, environmental organisations argue that Freeport's actions create environmental and health concerns for those living along the river, and that this practice is contrary to the UN Convention on Biological Diversity.

Demand for greater transparency

The Ethical Council's objective with this dialogue is for the company to report on how it intends working towards minimising its environmental impact, and to draw up a plan detailing how the area is to be reinstated once operations have discontinued. The Ethical Council has focused primarily on the consequences of riverine tailings. The tailings are transported down to the mouth of the river, at which Freeport has constructed embankments in order to restrict the area, in addition to implementing other measures aimed at reducing the amount of sediment escaping into the sea. It is crucial for the Ethical Council to gain clarity on whether river dumping is resulting in the leakage of copper and other heavy metals, which then are absorbed by plant and animal life. Another vital issue is how the company close down mining operations in the most responsible manner. It is of great importance to ensure that metal leakage, which may poison the area's natural habitat, does not occur in the future and that the catchment area for tailings is utilised in the most productive way.

In the summer of 2007, the Ethical Council met with representatives from Freeport in Stockholm to issue demands on increased transparency on the part of the company so that the Council, and other stakeholders, could assess the mine's environmental impact. After a long period, the Council did receive certain information; however, this was insufficient to gauge the extent of the environmental impact.

In 2008 the Ethical Council made contact with other investors, who, in tandem with the Council, were engaged in dialogue with Freeport, making similar sets of demands. The investor group decided to try another approach commonly used in the United States, namely a shareholder proposal, or resolution, as a means of exerting influence on the company. The resolution filed at the 2009 Annual General Meeting demanded the appointment of an environmental expert to the Board – something falling outside the direct scope of the Ethical Council's dialogue objective, but nevertheless a demand that the Ethical Council believed indirectly would increase transparency. The resolution attracted strong support from one-third of the company's shareholders; however, Freeport later announced it did not intend adhering to the resolution's proposal. The same proposal was filed at the 2010 Annual General Meeting, and again won support from one-third of the shareholders. As a consequence of the resolution, a Sustainable Development Committee is being set up to assist the Board of Freeport's Indonesian subsidiary. In 2011, the Ethical Council will continue its dialogue with Freeport in order to monitor the work of the Sustainable Development Committee.

Walmart – A company where change takes time

The dialogue was commenced back in 2005 by AP1, and has featured on the Ethical Council's register since its formation in 2007. Even before the formation of the Ethical Council, AP2 had taken the decision to exclude the company.

With over two million employees, Walmart is one of the world's largest companies. Over the years, Walmart has become the subject of criticism over a variety of issues, including the discrimination of employees, the demands placed on its suppliers, shortcomings on environmental consideration, conditions of employment, employees' rights to collectively negotiate their salaries, and the right to organise into trade unions.

The latter issue has been the Ethical Council's principal focus during its dialogue with Walmart. The ILO Core Conventions constitute fundamental conventions that are more or less taken for granted in Sweden. In North America, however, the situation is different, and collective agreements are far less common within retail trade. In Walmart's North American operations, only a small number of stores enjoy trade union affiliation.

Together with a small group of international investors, the Ethical Council has engaged in a dialogue with Walmart on these problem areas, a dialogue that has sometimes gone well, and sometimes less well. Achieving continuity in this dialogue has been made more difficult by the constant change of the company's senior executives.

However, the Council can report that Walmart has got to grips with a number of problem areas during this period. As early as 2005, Walmart began its high profile work on energy efficiency and environmental issues, and later introduced demands on working standards for its suppliers, and clear-cut objectives on diversity in management bonus programmes, in addition to a number of other changes.

Together with the group of investors, in its dialogue with Walmart, the Ethical Council has particularly focused on employee rights. The team of investors has drawn up a number of concrete proposals, among them policies on the right to organise as a trade union, which Walmart is set to address.

The Ethical Council has during summer of 2010 taken note of Walmart's high-profile agreement with trade unions and local organisations in Chicago, opening the way for constructing a small store in a local suburban area. Among other things, the parties reached agreement on minimum starting salaries for employees, as well as agreeing that trade-union affiliated firms would handle construction of the store.

The Ethical Council is resigned to the fact that its efforts to encourage the company to strengthen its policies on the right to organise into trade unions will take time; however, as long as improvements are being made, however minimal, the Council intends to continue engaging in dialogue and issuing demands on the company.



Gällivare – the Mining Capital of Europe

For a number of years, the Ethical Council has been focusing its attention on the extractive industry, since such operations have a great impact both on the environment and surrounding communities. During its dialogues with foreign mining companies, the Council has discussed the environmental aspects of waste management and respect for human rights when establishing a mining operation, among other things.

Although every mine is unique depending on its geographical location, the ore type which is mined, and the appearance of the ore body, all companies need to manage their impact on the environment and surrounding communities. In order to broaden its knowledge base and benefit from the expertise of Swedish companies in the area, the Ethical Council travelled to Gällivare – the Mining Capital of Europe – in October 2010, visiting the Boliden Copper Mine, Aitik, and LKAB's underground mine in Malmberget.

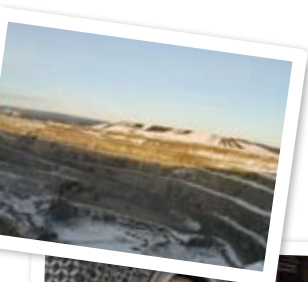
Waste management – a challenge

At 3 km in length, 1.1 km in width, and 400 m in depth, Aitik is Scandinavia's largest open pit mine. It is truly impressive to behold this gigantic 'hole' and the enormous excavators shovelling the ore onto giant lorries, which then transport it to the coarse-crusher before it is eventually taken to the concentrator to be processed into copper. A short distance beyond the open pit mine there is a new concentrator (opened in August 2010) with the capacity to handle 36 million tonnes of ore per year.

When the ore enters the site, it is ground in two enormous mills, and then mixed with water and a chemical substance that causes the copper to accumulate and float to the surface. At this stage, the ore can be gathered. The ore has a copper content of 0.27 percent, and, through the concentration process, a concentrate comprising 30 percent copper is produced. The copper concentrate is then transported by train to Boliden's smelting plant in Rönnskär, where it is transformed into pure copper.

Naturally, waste management is a crucial issue for these kinds of operations, as more than 99 percent of the raw material becomes 'waste'. Tailings (waste produced by the concentrator) are taken to a tailings disposal facility – a large dam – where the waste particles sink to the bottom. The water that has become clear is then channelled to a reservoir, from which the concentrator draws the majority of its process water. The tailings disposal facility takes up an area five times that of the open pit mine. Sections of blasted rock containing insufficient copper content are stored on the site, creating a series of large rock piles. It is vital for the surrounding habitat that inspections are carried out ensuring that metal emissions into the surrounding area are kept within the thresholds established by the authorities. The greatest local challenge for the Aitik Mine is to manage dust from roads and the production process which is transported by the wind to the surroundings. Swedish law, through the Environmental Code, contains clear restrictions regarding permitted levels of noise and emissions. Both Boliden and LKAB perform regular measurements of noise and vibration caused by mining operations in surrounding areas, as well as of emissions to air and water. The results are reported to the authorities





Communities in transition

A considerable social challenge faced by LKAB is the fact that both Kiruna and Malmberget are built on ore deposits. As a result, each time the mine is expanded, sections of the towns are affected. Successfully managing the transitions caused to these communities is a vital issue for LKAB, demanding sound planning and effective communication with municipalities and individuals. As part of its efforts to communicate with local residents, LKAB has held open information meetings, where the company has explained its future mining plans and how they will impact upon the community. LKAB is working towards highlighting this process as an opportunity for the municipalities to develop.

Approximately 15 million tonnes of iron ore are extracted in Malmberget every year. The ore, with an iron content of roughly 60 percent, comes from approximately ten different ore bodies, and the present main level lies at a depth of 1,000 metres. During 2011, there are plans to begin ore extraction at a depth of 1,250 metres.

Underground Society

Following examination of both operations, including observation of how LKAB handles the challenges of transforming and relocating towns while retaining control over environmental impact, it is time for us to visit the mine. Before entering the mine, we are fitted with a compulsory electronic tag, in addition to standard protection equipment, which allows LKAB to keep track of how many people are in the mine and where they are situated. It is difficult to understand that you are so far underground. The roads, which run to a depth of 1 000 metres, are wide, and a speed limit of 50 km/h applies. We cannot help but be surprised by this vast underground community. We stop to observe workshops, control rooms in which operators remotely control the boring machines, large crushers and conveyor belts. The ore is transported in two gigantic lifts which, in just above one minute, are able to transfer loads of 26 tonnes from 1000 meters up to the surface. Waste rock, that is to say, rock with insufficient iron content, is transported out of the mine by lorry. In Kiruna, where there is only one large ore body, trains are used instead of lorries to remove the waste rock. Once the ore reaches the surface, it is processed into pellets, on site, before being shipped on to customers – the majority of which are steel plants around Europe.

Spending time at both an open pit and underground mine, and holding discussions with experts at Boliden and LKAB gave us an invaluable insight into how two Swedish mining companies handle the challenges of environmental impact and the impact of the mines on the local community. We can now apply this knowledge during our dialogues with mining companies overseas.

Sustainable Value Creation

In addition to the Ethical Council's core task of influencing the actions of a number of companies through dialogue, the Council takes part in a number of Swedish and international initiatives intended to demonstrate the four AP Funds' position as investors, and to promote corporate social responsibility.

The Swedish Sustainable Value Creation investment initiative is an example of collaboration between the four AP Funds that form part of the Ethical Council. In the autumn of 2009, together with 11 other institutional investors, DnB NOR, Folksam, Handelsbanken, KK-Stiftelsen, Meta asset management, Nordea, SEB, Skandia Liv, SPP, Swedbank Robur, and the Church of Sweden, the four AP Funds urged the 100 largest companies on the OMX Nordic Exchange – Sweden to participate in a survey featuring questions on responsible and sustainable enterprise.

Why did the Ethical Council choose to support the initiative?

The Ethical Council chose to support this initiative because the Four AP Funds believe that by actively tackling environmental and social aspects of their activities, companies can help to reduce risks and costs while exploiting business opportunities. This promotes sustainable value creation, and, as investors, allows the Funds to ensure that essential conditions are in place for a financial return for current and future pensioners in Sweden that is sustainable in the long term.

How did the Ethical Council use this information?

A little over 80 of the 100 companies asked to complete the survey chose to reply. These responses have been valuable for the Ethical Council, partly because individual responses highlight how companies' Boards view their responsibility for, and work towards sustainable value creation, and partly because the Ethical Council has gained a more structured impression of how much progress Swedish companies have made regarding integrating environmental and social aspects of their business operations.

The overall conclusions of the survey equate with the impression the Ethical Council has regarding Swedish companies' efforts on sustainability issues – more often than not, essential guidelines are in place; however, for the vast majority of companies, work on implementing and monitoring compliance with these guidelines remains at an embryonic stage. As a result of the survey responses, among other things, the Ethical Council has identified areas of focus and improvement at a number of companies with which it has later entered into dialogue.

Sustainable Value Creation 2010

In 2010, the investor initiative decided against sending out a new survey to companies. Alternatively, a seminar and subsequent round-table discussion were arranged, at which all respondents to the 2009 survey and the team of investors were given the opportunity to exchange experience on their work with sustainability issues in their organisations.



You can read more
about this project at
www.svcinitiative.com

PRI

Principles for Responsible Investments – The UN initiative on principles for responsible investments. Through PRI, collaboration and the exchange of knowledge between responsible investors is increasing across the globe (www.unpri.org)



Institutional Investors Group on Climate Change

CARBON DISCLOSURE PROJECT

International cooperation and initiatives

As members of the UN Principles for Responsible Investment (PRI) initiative, the four AP Funds of the Ethical Council support the idea that investors should take the social and environmental aspects of their operations into account.

As members of the UN Principles for Responsible Investment (PRI) initiative, the four AP Funds of the Ethical Council support the idea that investors should take the social and environmental aspects of their operations into account.

In 2010, the Ethical Council has continued to participate in a handful of PRI initiatives, together with other investors and organisations.

Continued focus on climate change

Over the year, all Funds belonging to the Ethical Council have become affiliated with the Institutional Investors Group on Climate Change (IIGCC). The IIGCC is a forum aimed at promoting collaboration on climate issues among European investors. Its objective is to give investors a platform from which to make their voice heard on climate issues, and to encourage commitment from companies, authorities, and other investors in order to address the long-term risks and opportunities arising from climate change. The group put its name to an appeal submitted to the United Nations Climate Change Conference in Cancún, Mexico requesting the implementation of price mechanisms to facilitate climate-friendly investments, as well as clear-cut notification on emission targets.

All four Funds support the Carbon Disclosure Project (CDP), an international collaboration aimed at increasing corporate awareness of climate change. Through the project, institutional investors drive companies to report more transparently on their climate strategies and to better document key performance indicators that might indicate improvements. The purpose of the CDP is to improve the efficiency of the data gathering process through a large number of investors collectively signing a joint demand regarding data on and reporting of greenhouse gas emissions.

The Ethical Council has continued its participation in an initiative, together with 44 other investors, involving dialogue with several companies involved in oil sand extraction in Canada.

Anti-corruption – a crucial area

Together with a couple of larger funds, the Ethical Council has taken part in an initiative focusing on anti-corruption. A basic analysis has been performed whereby a number of companies have been examined in respect of their work to prevent corruption. The analysis resulted in approximately 20 companies being contacted.

Deep sea drilling and safety

Following BP's accident in the Gulf of Mexico, the Ethical Council together with a small group of investors made contact with 15 leading oil companies requesting details of their deep sea drilling safety procedures. During 2011, the council will be following up the companies' responses as well as any further developments in this area.

Extractive industries – a problem area

Another international initiative supported by the Ethical Council is the Extractive Industries Transparency Initiative (EITI), which primarily targets oil companies. Transparency and good governance are particularly important in countries with abundant natural resources but weak governments. Full disclosure of company payments and government revenues increases transparency in society and helps to create better conditions for financial control. Together with some 70 other investors, the Ethical Council has formally declared its support of the EITI, signalling to countries and companies with extraction activities that shareholders value clear and transparent reporting of revenues.



Stakeholder dialogue

In March 2010, the Ethical Council invited a number of stakeholder organisations to a presentation of its Annual Report 2009. Many of the questions in the discussion that followed related to the Ethical Council's company dialogues, transparency, and the objectives of the dialogues. 2010 also saw the Council hold individual meetings with several stakeholder organisations to discuss a range of issues.

Conferences and forums, 2010

Over the year, the Ethical Council has actively taken part in a number of conferences and forums, presenting its work and exchanging experience on environmental and ethical issues. The Ethical Council's members also regularly meet investors and other stakeholders to explain its work. By exchanging experience and talking about what it does, the Ethical Council is contributing to the debate on and awareness of corporate responsibility.

STOREBRAND, "WAR, PEACE, RELIGION, AND POLITICS – BUSINESS UNDER DIFFICULT CIRCUMSTANCES", OSLO, 17 MARCH

Panel debate on corporate action in conflict zones

Annika Andersson, AP4

UN PRI, NORDIC SIGNATORY MEETING, COPENHAGEN, 4 MAY

Panel debate on active ownership, exclusion and the role of the media

Annika Andersson, AP4

IMN'S 10TH ANNUAL SCANDINAVIAN INSTITUTIONAL INVESTORS SUMMIT, STOCKHOLM, 10 JUNE

Panel debate on active ownership

Annika Andersson, AP4

FINANCIAL TIMES, NORDIC INSTITUTIONAL INVESTORS "ENVIRONMENTAL RISK", STOCKHOLM, 28 SEPTEMBER

Panel debate on environmental risks, featuring BP as corporate

Annika Andersson, AP4

RESPONSIBLE INVESTOR SUMMIT, "THE FUTURE OF GOVERNANCE AND INVESTOR RELATIONS", AMSTERDAM, 13 OCTOBER

Panel debate on the future of corporate governance and contact between companies and their shareholders

John Howchin, Secretary-General, the Ethical Council

PRI IN PERSON, PANEL DEBATE "TACKLING CORRUPTION AND BRIBERY ON A GLOBAL SCALE", SAN FRANCISCO, 6 OCTOBER

Nadine Viel Lamare, AP1

SWEDISH PENSION FUND FORUM, "ALTERNATIVES TO BLACKLISTING", STOCKHOLM, 23 NOVEMBER

Alternatives to blacklisting companies

Annika Andersson, AP4

SUSTAINABLE VALUE CREATION, STOCKHOLM, 2 DECEMBER

Seminar and round-table conference on work regarding strategic sustainability

Nadine Viel Lamare, AP1

KKR, ESG ROUND-TABLE, OSLO, 8 DECEMBER

Panel debate on influence and exclusion in listed and unlisted companies

Christina Kusoffsky Hillesøy, AP3

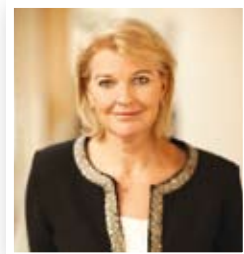
The Ethical Council's ordinary members



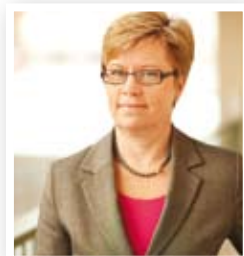
NADINE VIEL LAMARE
AP1, www.ap1.se
Chair and spokesperson 2011



ULRIKA DANIELSON
AP2, www.ap2.se



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