

Human rights high on the agenda

During 2016, the Second AP Fund started a project concerning the implementation of the UN's Guiding Principles on Business and Human Rights. This is an important work for developing the Fund's integration of human rights issues in its business operations. The project has increased the Fund's in-house competence and understanding of these Principles. This work is being continued in 2017 and will focus on identifying the most salient issues confronting the Fund with regard to human rights.

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In 2011, the UN Human Rights Council unanimously adopted the UN Guiding Principles on Business and Human Rights. These Principles set a global standard that define how nation states and companies the world over shall prevent the negative effect companies can have on human rights.

The Principles cover all companies and organizations, including the Second AP Fund. The Principles state that a company's activities shall not cause or contribute to a negative impact on human rights, and that it shall act to ensure that this does not occur. Such a negative impact can limit an individual's right to exercise his or her rights.

The Principles also establish that companies shall strive to minimize and hinder any negative impact on human rights that derives from a company's business relations. The Second AP Fund's responsibility can therefore also embrace its holdings, suppliers and other partners.

"Given that the Principles apply both directly and indirectly to the Fund, it is important that we and our suppliers, business contacts and portfolio companies all observe these Principles and exercise respect for human rights," explains Lina Sandström, sustainability analyst at AP2 and project leader.

Identifying in-house risks

In 2016, the Fund started a project for the in-house implementation of the UN Guiding Principles on Business and Human Rights. The project focuses on identifying the Fund's most salient issues in terms of human rights, i.e. issues where the risk of a seriously negative impact is greatest. Members of staff from all departments of the Fund are engaged in the project, which is being conducted in three phases.

The first phase involves charting the conceivable risks of negatively affecting human rights to which the Second AP Fund might cause, contribute to or be connected with. Phase two involves examining the Fund's ability to prevent and manage such risks. The third phase involves determining how serious the consequence for the affected rights holder will be, whether human

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rights have been negatively affected. The likelihood of such a negative impact is also assessed. Finally, based on these assessments, the risks are ranked in order of priority, to determine which should be addressed first: in other words, which are the Fund's most salient human rights issues.

During 2017, the Second AP Fund will continue this process of identifying impacts on human rights by reviewing other potentially negative effects. Once the identification process and assignment of priorities is complete, the results – in compliance with the Principles – will be incorporated into the Fund's business operations. The Fund already has routines for addressing human rights issues in place. The current work enables further development of these routines.

Everyone is involved

As part of this project, the Second AP Fund has also paid considerable attention to training and competence development through a number of workshops, training courses and debates. These included an obligatory orientation session for all members of the Fund's staff, held in December, addressing the subject of the UN Guiding Principles in particular, and human rights in general.

"During the year, the project's working group has developed its insights into the true meaning of human rights and how companies can have an impact. It is important we ensure this knowledge is subsequently disseminated throughout the organization, such as through training sessions and workshops," states Lina Sandström.

Multiple benefits

The project offers the Second AP Fund many benefits. By reducing the risk of infringements and increasing its knowledge of human rights, the Fund is enabled both to preserve and generate value.

According to the Principles, the knowledge thus gained should be disseminated to other parties, such as portfolio companies and suppliers.

Human rights are, by their nature, good for people. Addressing such issues creates value that derives directly from the positive impact on people. For instance, better living conditions and improved health stimulate the economy at large which, in turn, is positive for investors. This is especially important for long-term investors like the Second AP Fund, given that such issues are often linked to the viability of more sustainable development.

"The Fund's work with human rights creates value. It is beneficial both to the economy and to sustainable development. In this sense, our work in this sphere benefits Sweden's pensioners. It is also important that we as an organization set a good example, in the hope that we might influence others to address these same issues," explains Lina Sandström.

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles are a global standard that defines what is expected of states and companies. The Principles do not herald the establishment of new human rights obligations, but are rather a clarification of how companies should act. The Principles are grounded on three pillars:

1. The state duty to protect human rights.
2. The corporate responsibility to respect human rights. This means that companies' business activities shall not cause, contribute or be linked to a negative impact on human rights. Companies shall act to prevent such harm from arising.
3. Access to remedy.