

Swedfund

Swedfund's Guiding Note on Human Rights

2024-06-14



Guiding Note: Human Rights

Guiding notes describe Swedfund's view and process for implementation of the key sustainability themes that are defined in Swedfund's Policy for Sustainable Development and Anti-Corruption such as Climate, Decent Work, Gender and Human Rights. We recognize that the key sustainability themes are closely interlinked and overlap, however only one theme is described per Guiding Note. Guiding notes are updated regularly as we develop. We welcome stakeholder feedback to continuously improve our work.

1. Background and Strategic Intent

All business enterprises should respect human rights. This means avoiding the infringement of human rights and addressing any adverse human rights impacts of the enterprise. This responsibility to respect human rights refers to all internationally recognized human rights – understood, at a minimum, as the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights (collectively known as the International Bill of Human Rights) and the ILO Declaration on Fundamental Principles and Rights at Work. In addition, we recognize the United Nations (UN) Convention on the Rights of the Child, and we embrace the spirit of the UN Global Compact's ten Children's Rights and Business Principles. Human rights are one of Swedfund's key sustainability themes and is embedded in the investment process. Swedfund's Human Rights Lens aims to systematically integrate human rights aspects into our investment process rather than treating it as a stand-alone issue.

1.1 Key Focus Areas

We are committed to working actively to comply with the UN Guiding Principles on Business and Human Rights (UNGPs). We are continuously developing and implementing our human rights due diligence process for direct investments, funds and financial institutions in order to identify, prevent, mitigate and account for how we address our impacts on human rights. This process also addresses how we engage and consult with potentially affected stakeholders, not solely at the time of investment, but during the lifetime of a project or investment. Whenever necessary, due to the contextual risks of some of the countries, regions or sectors in which we

operate, we conduct a heightened and/or conflict sensitive Human Rights Due Diligence (hHRDD) to fully consider salient human rights risks associated with the context and/or fragile and conflict affected situations.

1.2 Collaborations and Stakeholder Engagements

Collaborations. Swedfund is often a strategic minority investor and therefore collaborates with carefully selected partners to align our efforts and amplify our impact. One key initiative within the human rights work for Swedfund is the harmonization of E&S and Impact matters within the European Development Finance Institutions (EDFIs). In addition, Swedfund participates in other networks with the aim to standardize and harmonize their human rights work.

Stakeholder Engagements. Swedfund recognize the importance of conducting structured stakeholder dialogues and having meaningful consultation associated to our activities and investments and with relevant partners such as NGOs, CSOs, workers organizations (trade unions, workers committees, health & safety committees), gender- and children's organizations, human rights defenders, communities, groups of peoples, individuals and others and aim to embed this into the investment process.

1.3 Measurement & Goals

Swedfund measures the performance of each portfolio company on environmental and social matters including human rights, impact and business integrity annually. These results are reported in Swedfund's Integrated Report, where we also account for our work in regard to human rights.

1.4 Accountability

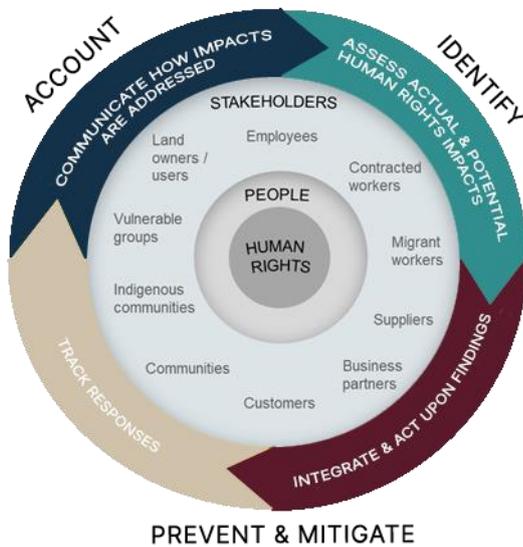
To fulfil our commitment to respect human rights, we aim to avoid causing or contributing to adverse human rights impacts resulting from our own activities and to address such impacts if they occur. Whenever we identify that we have caused or contributed to adverse human rights impacts, we will provide for, or cooperate in, their remediation through legitimate processes. We also aim to prevent or mitigate adverse human rights impacts that are directly linked to our operations through our business relationships. Whenever we identify adverse human right impacts that are directly linked to our operations through our business relationships, we will seek to work with our business partners to ensure that remediation occurs.

Swedfund recognizes that individuals and communities that are subject to risks and/or impacts as a result of Swedfund or our portfolio companies also need to be able to lodge a grievance directly with Swedfund. Therefore, we have made a grievance mechanism available on Swedfund's website to respond in a timely manner to legitimate concerns and grievances regarding our own operations as well as our portfolio companies. The website also makes available a whistleblowing service for employees, contractors,

interns, and any other employees at our portfolio companies to facilitate reporting of serious irregularities.

2. Human Rights Lens Process

Swedfund’s investment process applies a Human Rights Lens to all investments; this entails an integrated approach to analyze investment opportunities from a human rights perspective. The Human Rights Lens aims to address human rights recurrent during the investment period, i.e. at the initial due diligence, during the active ownership phase and during the exit phase.



Swedfund’ Human Rights Lens Process based on UNGP Principle 17

Swedfund has developed an environmental and social due diligence process which embeds human rights aspects. The process is largely based on the IFC Performance Standards, the IFC EHS Guidelines, the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Basic Terms and Conditions of Employment, ILO Convention 190 on violence and harassment and the UNGP. The process is applied for all types of investments and sectors, as applicable. For a complete list of frameworks and requirements, please see Swedfund’s Policy for Sustainable Development. In high-risk circumstances, such as high contextual risks and/or fragile and conflict affected situations, a heightened and/or conflict sensitive human rights due diligence is conducted.

2.1 Concept Clearance - Initial Risk and Impact Analysis

Concept Clearance aims to assess the preliminary environmental and social risks and impacts of the investment, and to identify initial human rights risks and impacts. Assessment at this stage should primarily focus on potential

human rights risks and impacts at the country level and/or regional and sector level.

2.2 Due Diligence - Contextual Risk and Human Rights Analysis

During due diligence, a more in-depth analysis of human rights risks and impacts is undertaken, starting with the Contextual Risk Analysis. The aim of this analysis is to identify relevant contextual human rights risks and impacts by analyzing certain dimensions which are dependent on the country or region of the investment operations, including social and cultural aspects, the sector of the investment and the project characteristics and/or properties. The Contextual Risk Analysis includes, for example, an assessment of the known risks for human rights defenders, the level of openness of civil society, or the recognition and protection of indigenous communities.

When financial institutions and funds are assessed, the main countries and sectors according to portfolio exposure, depending on available information, are considered in the Contextual Risk Analysis. Any current or potential exposure to fragile and conflict affected situations is also being considered. An assessment of the investment's capacity to manage human rights is also undertaken. Any identified gaps against Swedfund's requirements are incorporated in a legally binding E&S Action Plan.

Hence, on the basis of information collected on the country of operations, sectors and investment, a proposed investment will be classified as Low-, Medium- or High Risk for human rights risks and impacts, which will inform the scope of the human rights due diligence conducted. For investments classified as Medium- or High Risk, an internal Human Rights Assessment Matrix tool will be completed in order to identify the most relevant human rights risks and impacts on relevant stakeholders and assess the severity of such risks as well as mitigation measures. If the human rights risk is considered High, a more in-depth assessment will be conducted, including possibly a hHRDD in the context of in-conflict, post-conflict or fragile states. If the risk is considered Low, a no further assessment beyond what is covered by the Contextual Risk Analysis and IFC Performance Standards will be conducted.

2.3 Active Ownership – Monitoring and Support

The active ownership phase seeks to regularly assess how the investment is performing against Swedfund's Environmental & Social requirements, including on human rights, and which areas can be positively impacted and improved. Portfolio companies' performance is assessed through meetings, E&S Sub-committee meetings, incidents reporting, data collected in the annual sustainability reports, site visits and audits, and through other means of collaborations with the portfolio companies and investors. Activities included in the companies' E&S Action Plans will be initiated and regularly

monitored. Identified gaps are supported and addressed by internal and external capacities and through technical assistance (TA) programs.

The Contextual Risk Analysis is performed for each investment on a recurrent basis. This aims to identify new or increased contextual risks and human rights risks resulting from changes in the country/region, the sector and the project.

2.4 Exit – Assessment of Withstanding Impact and Residual Risks

A commitment to Swedfund’s responsible active ownership includes:

- (i) to review the results of risk-mitigating and value-adding activities.
- (ii) to assess the lasting impact of Swedfund’s engagement in the company’s continued activities; and
- (iii) to identify any residual risks that might need attention. This is an integral part of the investment cycle as the realization of wider impact and risk management primarily occurs in the long-term.

A responsible exit entails an assessment of the environmental & social risks and impacts of the investment at the time of exit, including on human rights; to avoid causing or contributing to any negative human rights impacts; and to seek to prevent or mitigate any known human rights impacts. To assess any remaining impacts, the Contextual Risk Analysis is applied again to the investment and documented and acted upon as applicable.

3. Further Information

For further information and feedback, please contact Swedfund’s Chief Sustainability Officer – johanna.raynal@swedfund.se.

Swedfund's Human Rights Lens Process

