



AP6's Human Rights Assessment

Background

AP6's responsible investment approach is tailored to indirect investments in private equity. It is based on frameworks and agreements that define sustainability and that are expressed in the Swedish Government's principles regarding human rights, democracy and sustainable development. As such, diligence and monitoring of human rights impacts were part of the modus operandi since AP6 started to formalise the approach to responsible investment in 2012. However, as the capabilities and processes at AP6 grew more mature and responsibilities of investors and businesses to respect human rights became further clarified and practiced, AP6 identified a need to strengthen its processes related to human rights due diligence in line with the UN Guiding Principles on Business and Human Rights (UNGP).

AP6 added human rights as key focus area for sustainability in 2021 with the ambition to complement the pre-investment due diligence and continuous monitoring of human rights incidents and allegations in the portfolio, with a process to assess General Partners' (GP's) capacity to address adverse human rights impacts.

An assessment framework aligned with the UNGP, and tailored to the Limited Partner (LP), was developed in 2023. The initial goal for AP6 was to understand the GP's approach to human rights through the investment cycle as well as facilitating a dialogue around human rights commitments and practices. In addition to strengthening AP6's understanding, the dialogue presented an opportunity for GPs to gain insight on their performance compared to others in AP6's portfolio and identified best practices among peers.

The UNGPs were adopted by the UN Human Rights Council in 2011 and outline the expectation on investors and other business actors to respect human rights. They provide practical guidance on how to act in complex situations where there is a risk for adverse impacts on people.

Methodology

The assessment framework is based upon the UNGPs and evaluates GPs policies and processes to:

- Publicly commit to respecting human rights throughout the value chain,
- Take concrete action to implement this commitment in the pre- and post-investment processes by assessing and acting on potential and actual human rights risks and impacts,
- Implement grievance mechanisms to enable rightsholders to seek remedy,
- Provide transparency and reporting on the results of above-mentioned processes.

Furthermore, the assessment framework is tailored to private equity and is centred around four main assessment categories to be assessed pre-investment as well as on an annual basis: i) Governance and policy commitments; ii) Pre-investment phase processes; iii) Post-investment phase processes; iv) Reporting and communication.

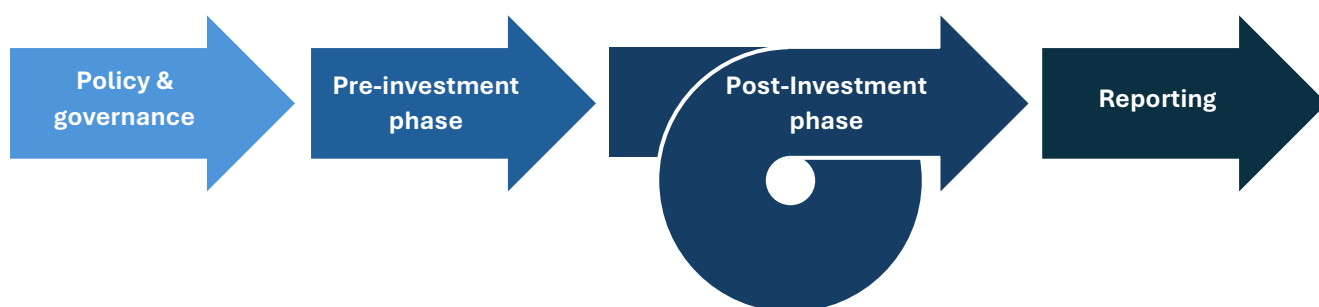


Figure 1. AP6's assessment framework

The assessment of each GP is based on interviews with the GP, investor available documentation and publicly available documentation. Once the assessment is finalised the GPs are offered feedback and dialogue around potential development areas and sharing of best practices from AP6's portfolio.

Results and progress

The assessment has been conducted during 2023 and 2024, including 21 and 25 GPs respectively. Several examples have been observed of fund managers who have a structured approach in parts of their investment processes and in individual companies. Fewer examples were observed of a systematic and structured approach for all portfolio companies throughout the value chain. Many fund managers have policies that cover human rights and processes to identify risks in the pre-investment phase. Turning this into concrete action plans for the post-investment phase has not progressed to the same extent. The same applies to support for portfolio companies to successfully implement processes in line with the UN Guiding Principles. As relates to grievance mechanisms and access to remedy, such practices were less developed in AP6's portfolio, except from whistleblowing mechanisms which were common among portfolio companies. Reporting on processes to identify and mitigate adverse human rights impacts, as well as reporting on actual outcomes was limited for most GPs. The 2024 assessment showed slight improvement compared to 2023 on an aggregated portfolio level, but progress was not uniform across the portfolio. The average score in 2023 was 38%, which climbed to 39% in 2024.

In 2023, AP6 organised a round table to discuss human rights in private equity. Fund managers to which AP6 has committed capital to were invited to an interactive, in-person meeting with speakers from AP6 and selected managers, and discussions in smaller groups. The round table provided an opportunity to exchange knowledge and ideas on a theme where more information and practical assessment of risks are sought after.

Appendix – Assessment framework

	Indicator	Key question	Example of observed practices
Policy & Governance	Commitment to respect human rights	Does the GP/investment organization publicly commit to respect human rights in all investment activities, either in a separate policy or integrated into an ESG or RI policy? Does the commitment cover all recognized human rights aligned with the declaration of human rights, in line with the UN Guiding Principles on Business and Human Rights?	Explicit commitment to respect all human rights as defined by UN Declaration of Human Rights in overall responsible investment (RI) or sustainability policy
	Responsibility and resources for day-to-day human rights functions	Has the GP/investment organization defined responsibility for human rights during investment, ownership and exit phases? Is the practical implementation in different phases clearly defined?	Clear responsibility for deal teams to identify and manage sustainability topics, including human rights, across all investment activities from diligence to ownership, with support from RI/sustainability teams or external expertise on request
Pre-investment phase	Identifying human rights risks and impacts	Are actual and potential impacts on human rights identified during pre-investment assessment?	Human rights a mandatory part of pre-diligence as part of ESG or legal DD, or spread across multiple streams using direct or secondary sources (e.g. industry reports) and / or external expertise
	Assessing human rights risks and impacts	Does the GP/investment organization assess and prioritize identified potential and actual impacts on human rights during pre-investment to prioritize salient risks and impacts?	In-depth diligence of identified potential impacts leveraging external expertise in human rights due diligence to understand human rights risks and drivers
	Integrating and acting on human rights risks and impact assessments	Does the GP/investment organization integrate actual and potential impacts into e.g. term sheets or value creation plans for portfolio companies to enable preventative and mitigating actions during ownership?	Human rights risks and impacts often considered as deal breaker whilst less severe actual or potential impacts integrated into value preservation strategy to limit risk

Post-investment phase	Identifying human rights risks and impacts	Does the GP/investment organization engage with portfolio companies to ensure potential and actual impacts on human rights are identified on a recurring basis during ownership?	Best practice to consider systematic approach to human rights in portfolio companies including e.g.: <ul style="list-style-type: none"> Human rights policy in each portfolio company Periodic training on human rights issues for investment teams and companies Initial human rights due diligence and periodic re-evaluation of assessment (e.g. implementation of triggers such as geographical expansion or new product) Regular oversight on board of directors' level
	Assessing human rights risks and impacts	Does the GP/investment organization engage with portfolio companies to assess and prioritize identified potential and actual impacts on human rights on a recurring basis during ownership?	
	Grievance mechanism(s) for impacted rightsholders	Does the GP ensure portfolio companies have relevant grievance mechanisms to enable rightsholders to report potential and actual violations?	Less developed practices, but many GPs required mandatory implementation of whistle blower mechanisms (either digital or analogue depending on accessibility) in portfolio companies
	Remediation of human rights impacts	Does the GP ensure portfolio companies have relevant mechanisms to enable rightsholders to seek and receive remediation when impacts on human rights occur?	Few observed practices in this category. Examples could have included e.g. support to portfolio companies to closely tie grievance mechanisms to remediation processes and measures
Reporting	Communicating on human rights impacts	Does the GP communicate externally , e.g. to LPs or in public reporting, on activities related to human rights ? Examples could be identified risks and impacts, actions taken, remedy	Limited examples include outlining the overall approach, integrating some human rights related KPIs in reporting, and providing case studies, leaving room for increased reporting on e.g. potential and actual impacts or the approach to identifying and mitigating these.