



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 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 core sustainability areas and 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 work actively to comply with the United Nations Guiding Principles on Business and Human Rights (UNGPs). We are continuously developing and implementing a human rights due diligence process for direct investments, private equity funds and financial institutions in order to identify, prevent, mitigate and account for how we address our impacts on human rights. This also focuses on how we engage and consult with potentially affected stakeholders during the lifetime of a project or investment, not solely at the time of investment.

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 area for Swedfund is the harmonization of ESG and Impact within the European Development Finance Institutions (EDFIs). In addition, the Nordic Development Finance Institutions collaborate closely together with aim to standardize and harmonize the 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 organisations (trade unions, workers committees, Health& Safety committees), gender and children's organisations, human rights defenders,

communities, groups of peoples, individuals and others and aim to embed this into the investment process.

1.3. Measurement & Goals

Annually, Swedfund measures the performance of each portfolio company on environment, social, governance and human rights matters. These results are reported in the Swedfund Integrated Report where we also account for our work related to human rights.

Our ambition is to expand our reporting on human rights by applying the UN Guiding Principles Reporting Framework, including (i) Governance of respect for human rights (Part A); (ii) Defining the focus of reporting i.e. the salient human rights issues (Part B) and (iii) Our management of salient human rights issues (Part C).

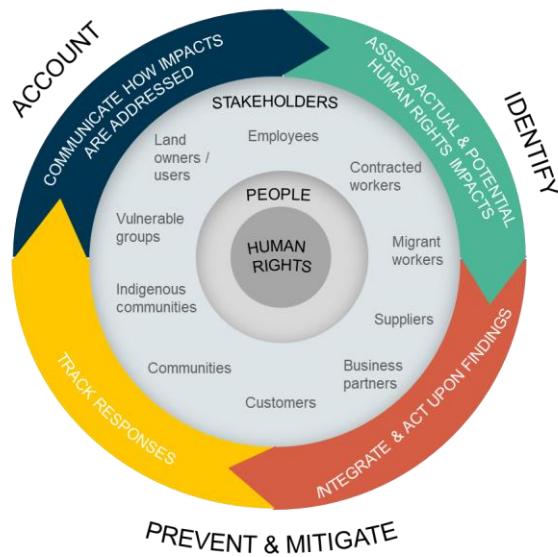
1.4 Accountability

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. Where 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. Where 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 recognises 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, Swedfund 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 analyse investment opportunities from a human rights perspective. The human rights lens aims to address human rights regularly 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 its 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 and UNGP. The process is applied in all investment categories as applicable. For a complete list of frameworks and requirements, please see Swedfund's Policy for Sustainable Development. By thoroughly applying these standards and conventions in the investment process, most human rights aspects are covered. Only in high risk circumstances, an additional assessment of human rights risks and impacts is conducted to identify potential gaps regarding human rights and scope of assessment, as applicable.

2.1 Concept Clearance - *Initial Risk and Impact Analysis*

The aim during Concept Clearance is to assess the preliminary environmental and social risks and impacts of the investment as well as to identify the initial human rights aspects. 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 is undertaken, starting with the Contextual Risk Analysis. The aim of this analysis is to identify contextual risks and human rights impacts by analyzing certain high risk indicators, "triggers", 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 an assessment of the known risks for human rights defenders. Investments that meet some or several of the indicators or "triggers" may have a higher likelihood of human rights risks and severe impacts and might need an additional in-depth analysis.

When financial institutions and funds are assessed, the country/countries and sectors that the financial institution or fund invests in are considered in the Contextual Risk Analysis. In fund investments (energy, healthcare and private equity), the process is applied to the underlying investment or portfolio companies of the fund managers to the extent possible. In addition, an assessment of the investment's capacity to manage human rights is undertaken. Any identified gaps against Swedfund's requirements are incorporated in the ESG Action Plan.

The findings from the Contextual Risk Assessment will guide the decision whether an additional in-depth analysis of human rights shall be conducted for the investment by using a Human Rights Assessment Matrix tool. The Human Rights Assessment Matrix tool helps to identify the most relevant human rights related to the investment, the impacts on relevant stakeholders and assesses the severity of the human rights, as well as mitigation measures. The outcome of the Matrix tool, including the number and severity of the risks and impacts identified will inform the decision whether an external Human Rights Impact Assessment (HRIA) is necessary.

2.3 Active ownership – Monitoring and Support

The active ownership phase seeks to regularly assess how the investment is performing regarding Swedfund's environment, social, governance and human rights requirements and which areas can be positively impacted and improved. Companies' performance is assessed based on data collected in the annual sustainability reports, audits and site visits, and through other collaborations with the portfolio companies. In accordance to the companies' ESG Action Plans, activities will be initiated and monitored. Identified gaps are supported and addressed by internal and external capacities and through technical assistance (TA) programs.

On a regular basis, the Contextual Risk Analysis is performed for each investment. This aims to identify new contextual risks and human rights high risk indicators resulting from changes in the country/region, the sector and the project due to its characteristics and/or properties.

2.4 Exit – Assessment of withstanding impact and residual risks

An integrated commitment of Swedfund's responsible ownership is to assess:

- (i) the results of risk mitigating and value adding activities, and subsequently
- (ii) the withstanding 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 realisation of wider impact and risk management primarily occurs in the long-term.

A responsible exit entails an assessment of the environment, social, governance and human rights risks of the investment at the time of exit and to avoid causing or contributing to any negative human rights impacts and seeking to prevent or mitigate any known human rights risks. 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 ESG & Impact team – johanna.raynal@swedfund.se.

Swedfund's Human Rights lens process

