



ASSET MANAGER ACCOUNTABILITY IN ACTION

ANDRA AP-FONDEN (AP2)

Case Study

1. Introduction

The Global Unions' Committee on Workers' Capital (CWC) is producing a series of case studies to highlight how asset owners are holding their managers accountable on responsible investment practices, with a particular focus on labour rights. This series builds on the CWC's asset manager accountability body of work, which aims to provide pension fund board members and staff with action-focused tools. The purpose of the series is to identify practical strategies that asset owners use to set expectations, evaluate asset manager stewardship performance, and drive change when managers fall short. It also aims to disseminate this knowledge across the CWC network.

This case study reviews tools and tactics employed by Sweden's Andra AP-fonden (AP2) to hold external managers accountable on human and labour rights. AP2 is one of five funds in the Swedish pension buffer system, managing over SEK 459 billion (approximately USD 48.3 billion).¹ The fund has trade union-affiliated trustees on its board of directors. Over the past two decades, AP2 has steadily increased the proportion of its assets managed in-house. As of 2025, all of AP2's listed equities are managed internally; however, the fund retains some external managers for unlisted assets. The CWC's analysis drew on AP2's publicly available reports and policy documents, along with an interview with Åsa Norman, Head of Communication and Sustainability at AP2, conducted in July 2025.

AP2 is one of five funds in the Swedish pension buffer system, managing over SEK 459 billion (approximately USD 48.3 billion).¹

Key Insights from AP2 for Asset Owners

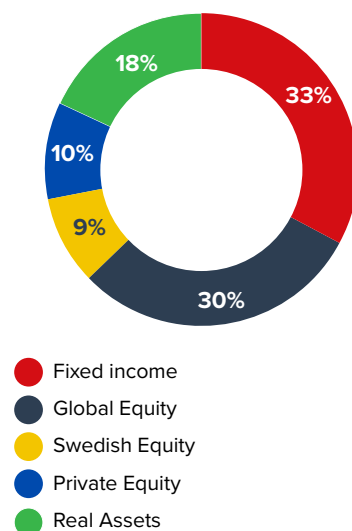
- **Adopt policy on asset manager expectations:** Adopt a publicly available set of human rights expectations for external managers and include an approach to escalate ESG expectations
- **Asset manager appointment:** Embed human rights expectations directly into contractual agreements with external managers and formalize expectations using legally binding side letters
- **Asset manager monitoring:** Administer a human rights-focused questionnaire that touches on managers' internal processes and their use of stewardship with portfolio companies²
- **Include site visits in unlisted asset due diligence toolkit:** Consider the inclusion of site visits as part of enhanced human rights due diligence, particularly in unlisted assets, where ownership stakes – and leverage – tend to be larger

2. Putting Human Rights at the Core of Responsible Investment

AP2 has developed a robust due diligence structure that holds its external asset managers accountable for its core investment beliefs that “sustainability pays off”.³ Through a detailed public framework, targeted due diligence, and the integration of human rights into manager selection and oversight processes, it demonstrates how clear expectations and engagement with managers can impact their stewardship practices.

AP2 – like AP1, AP3 and AP4 – operates under a government mandate that goes beyond financial returns, requiring the fund to manage its assets “in an exemplary manner”⁴ and to contribute to sustainable development.⁵ AP2 has made human rights a central pillar of its responsible investment approach.⁶ The fund has set a goal to embed respect for human rights across all of its activities by 2030, aligning with Sweden’s broader commitments to international human rights standards.⁷ This involves integrating human rights considerations into asset allocation, risk analysis, stewardship of portfolio companies, disclosure practices, and collaborations with external managers.⁸ AP2’s oversight extends to external managers, with a particular focus on private equity, sustainable infrastructure, timberland and farmland.⁹ By setting clear expectations and holding managers accountable, AP2 aims to demonstrate that long-term value creation and the protection of human rights go hand in hand.

FIGURE 1: AP2’s Asset Allocation (2024)



Source: Graphic over AP2's asset classes based on their Annual Report 2024, page 12.

FIGURE 2: AP2's Human Rights Approach to Responsible Asset Management



Source: Graphic over AP2's Human Rights Approach, based on their Report on Human Rights 2023, page 10.

3. Setting Expectations for Asset Managers on Labour Rights Stewardship

AP2 expects its external asset managers to uphold international standards that prevent human rights abuses – including violations of workers' fundamental labour rights. These expectations are codified in AP2's human rights expectations for external managers and underscore the importance of asset owners providing direction at the top of the investment chain.

AP2 expects external managers to have a formal policy and long-term human rights goals that can be tracked over time. Their policies must have appropriate governance and align with global standards such as the *UN Guiding Principles on Business and Human Rights*, the *UN Global Compact* and the *OECD Guidelines for Multinational Enterprises*. AP2 also expects its asset managers to carry out the following:

- Promote freedom of association and collective bargaining within portfolio companies
- Outline how policies contribute to living wages in supply chains; and
- Describe grievance and remediation mechanisms at the portfolio company level.¹⁰

When a manager shows unwillingness or inability to meet these standards – whether through lack of progress or fundamental misalignment – AP2 may choose to escalate its engagement with the managers, with divestment as a last resort.¹¹

4. Using Side Letters to Enforce Human Rights Expectations

AP2 further reinforces its human rights expectations by embedding them directly into its contractual agreements with its external managers. Once managers are appointed, AP2 formalizes its expectations into legally binding side letters to ensure accountability. This makes it clear that human rights are not optional add-ons for the fund; rather, they are fundamental conditions of partnership.

In AP2's side letters, external managers commit to making reasonable efforts to apply internationally recognized standards, including the *UN Global Compact Principles* and the

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UN Guiding Principles on Business and Human Rights, within the scope of their investment management activities. This contractual integration helps transform broad human rights principles into concrete obligations that AP2 can monitor and evaluate over time.

5. Strengthening Due Diligence Across Externally Managed Unlisted Assets

AP2 conducts due diligence on human and labour rights during the selection, appointment and monitoring stage of engagement with external managers for unlisted assets.¹² It engages closely with its managers through monitoring, dialogue, and site visits of some portfolio companies. For instance, in their sustainable infrastructure portfolio, particular attention has been paid to supply chains in geographies that have a high risk of human rights violations, such as renewable energy inputs from China.¹³

During 2023, AP2 did a deep dive with its external managers in private equity to evaluate their risk exposure and risk mitigation strategies. Then, in 2024, AP2 conducted a review of its process and enhanced the questionnaire to evaluate both new and existing external managers. The questionnaire touches on managers' internal processes and their use of stewardship with portfolio companies.¹⁴ This includes an evaluation of how the manager considers topics related to freedom of association, grievance mechanisms, and living wages.

Within private equity, the questionnaire is used when there is a new investment with an already existing manager or a new external manager.¹⁵ For external managers in sustainable infrastructure, timberland and farmland, the questionnaire is sent out yearly, as part of their annual sustainability performance review.¹⁶ In the questionnaire, AP2 asks external managers to self-assess how they identify, mitigate, and remediate human rights risks, and to report this back to AP2.

AP2's engagement with managers helps track and remediate labour rights-related violations, thereby reducing its exposure to labour rights risks.

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ENDNOTES

1 Andra AP-fonden (AP2). About AP2. Retrieved July 28, 2025, from <https://ap2.se/en/about-ap2/>

2 *Ibid.*

3 Andra AP-fonden (AP2). (2025). *Annual report 2024* (p. 29). <https://ap2.se/wp-content/uploads/2025/03/Annual-Report-2024.pdf>

4 Andra AP-fonden (AP2). (2025). *Annual report 2024* (p. 25). <https://ap2.se/wp-content/uploads/2025/03/Annual-Report-2024.pdf>

5 Andra AP-fonden (AP2). (2025). *Annual report 2024* (p. 29). <https://ap2.se/wp-content/uploads/2025/03/Annual-Report-2024.pdf>

6 Andra AP-fonden (AP2). *Human rights*. Retrieved July 28, 2025, from <https://ap2.se/en/sustainability-and-corporate-governance/focus-areas/human-rights/>

7 Andra AP-fonden (AP2). *Plan for human rights*. Retrieved July 28, 2025, from <https://ap2.se/en/sustainability-and-corporate-governance/focus-areas/human-rights/plan-for-human-rights>

8 *Ibid.*

9 *Ibid.*

10 Andra AP-fonden (AP2). *Expectations of external managers*. Retrieved July 28, 2025, from <https://ap2.se/en/sustainability-and-corporate-governance/focus-areas/human-rights/plan-for-human-rights/expectations-of-external-managers/>

11 *Ibid.*

12 Unlisted assets includes private equity along with infrastructure, real estate (which are also known as "real assets"). The term encompasses private market investments.

13 Andra AP-fonden (AP2). *Plan for human rights*. Retrieved July 28, 2025, from <https://ap2.se/en/sustainability-and-corporate-governance/focus-areas/human-rights/plan-for-human-rights/>

14 Andra AP-fonden (AP2). (2025). *Annual report 2024* (p. 37). <https://ap2.se/wp-content/uploads/2025/03/Annual-Report-2024.pdf>

15 *Ibid.*

16 *Ibid.*



ABOUT THE GLOBAL UNIONS' COMMITTEE ON WORKERS' CAPITAL

The Global Unions' Committee on Workers' Capital (CWC) is an international labour union network for dialogue and action on the responsible investment of workers' retirement savings. A joint initiative of the International Trade Union Confederation and the Global Union Federations, the CWC has brought trade union representatives and worker-nominated trustees from across the world together since 1999. The pension fund board members who participate in the CWC network oversee the retirement savings of millions of workers. For more information, email info@workerscapital.org or visit www.workerscapital.org.
