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# Annual report 2025

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Responsible ownership through dialogue and engagement.  
A collaboration between the First, Second, Third and Fourth AP Funds.



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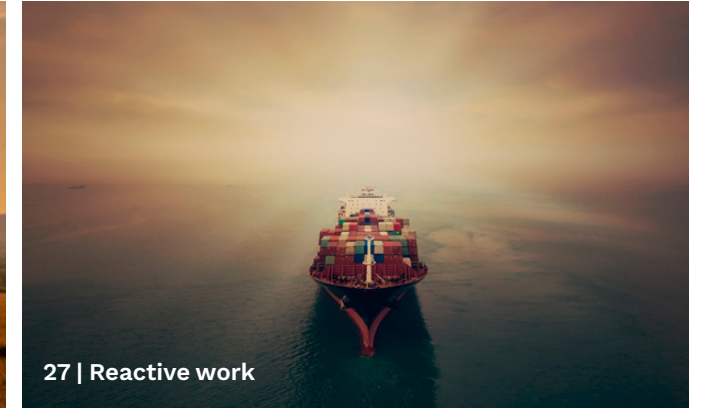
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## About the Council on Ethics

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## Proactive work

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## Reactive work

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The AP Funds established the Council on Ethics in 2007 and today it constitutes a significant part of the AP Funds' sustainability strategies.

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Photo: Alexander Donka, Caroline Eking, Christopher Hunt, Peter Knutson, Peter Phillips, Getty images, iStockphoto, Pexels, Pixabay and Unsplash.

# 2025 in brief

## 3,007

companies were included in the screening of the listed equities and credits in the AP Funds' portfolios<sup>1</sup>

## 60

 companies in reactive dialogue during 2025

In cases where violations have been identified in the screening, dialogues with companies are initiated. A total of 67 reactive dialogues were conducted during 2025.

## 7

 companies with resolved dialogues during the year

The Council on Ethics sets clear goals and expectations for the dialogues, which are continuously followed up. When the goals are achieved, the dialogue is resolved.

## 30

 dialogue milestones were reached during the year

The companies' handling of the issue is measured and continuously followed up against clear intermediary milestones.

[Read more about the reactive work on page 27 »](#)

## 155

companies in dialogue during the year – both proactive and reactive

### The Council on Ethics' engagement efforts in 2025

The Council on Ethics conducted dialogue – both proactive and reactive – with 155 companies during 2025.

Positive progress has been noted in several of the companies that have been subject of reactive dialogues during 2025. For example, dialogues with seven companies were resolved as the companies have achieved the objectives, and a total of 30 milestones were reached during the year.

Within the reactive workstream, the Council on Ethics has also carried out extensive analysis and engagement with companies operating in conflict affected and high risk areas. This work is in addition to that reflected in the statistics for the reactive work. Read more on page 40.

During the year, the proactive work within the five focus areas has also continued. For example, within the initiative Mining 2030 concrete recommendations for the mining industry have been developed. The Council on Ethics has also followed up a previous project on child labor in the cocoa industry.

## 18.4%

of the market value of the AP Funds' holdings in foreign listed equities and credits are covered by projects within the Council on Ethics' proactive work<sup>1</sup>

## 5

 focus areas for the proactive work

The Council on Ethics' focus areas address complex sustainability challenges and systemic risks that affect both the AP Funds' investments and society at large.

- Antimicrobial resistance (AMR)
- Child labour and forced labour
- Climate transition
- Tech companies and human rights
- Water

## 9

 projects in the proactive work

During 2025, the Council on Ethics has conducted proactive work in nine projects, one of which is new.

[Read more about the proactive work on page 12 »](#)

<sup>1</sup> Holdings as of 30 June 2025.

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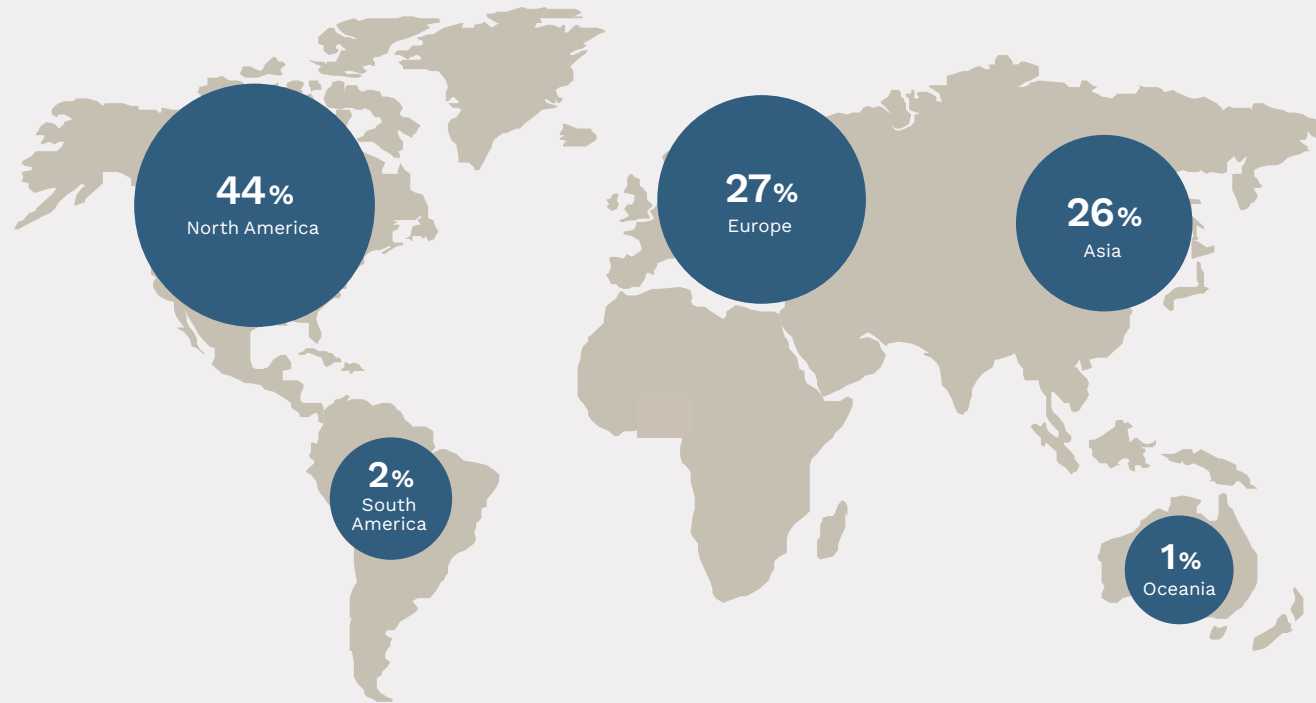
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# Global approach to complex sustainability challenges

Companies in dialogue during 2025, by region (based on where the companies are listed)

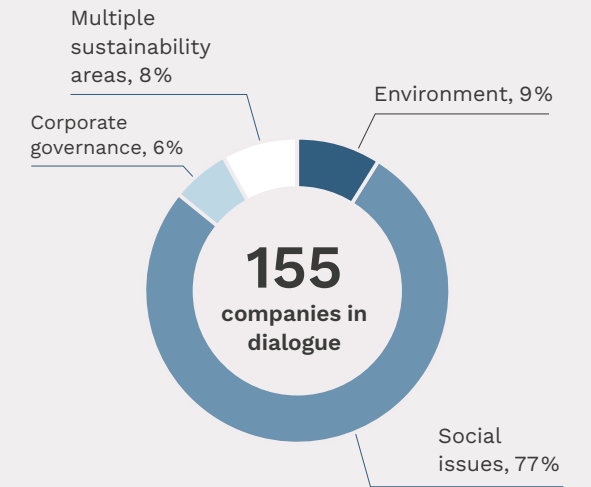


The Council on Ethics conducts dialogues with companies worldwide. During 2025, dialogues were held with 155 companies in total. Although many of the companies are listed in North America (primarily in the USA) and Europe, their operations and value chains are global, and their products and services are consumed worldwide.

In the reactive work, slightly less than half of the dialogues concern incidents in developing markets, even though the companies themselves often are listed on developed markets.

The dialogues often addresses a specific sustainability area, such as the environment, social issues, or corporate governance. Some dialogues cover multiple sustainability areas.

Companies in dialogue, by sustainability area



The majority of company dialogues concern social issues. These include, for example, companies with links to conflict-affected areas, child labour and digital platforms and human rights.

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# Responsible ownership through dialogue and engagement

The Council on Ethics of the AP Funds is a collaboration between the First<sup>1</sup>, Second, Third, and Fourth Swedish National Pension Funds (AP Funds). Through collective engagement we seek to drive positive change in areas that are of great importance to people, the environment, and society, and that create value in companies. This way, the Council on Ethics contributes to sustainable development and to the safeguarding of pensions for this and future generations.

<sup>1</sup> The operations of the First AP Fund ceased at the end of 2025 following a decision by the Riksdag, and the assets were transferred to the Third and Fourth AP Funds. This decision does not impact the mission, direction or resources of the Council on Ethics.

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# 2025 – a year of active ownership in uncertain times

The year 2025 has been marked by continued polarisation and an increasing level of global conflict. This entails challenges within several sustainability areas as well as for investors' ability to engage with companies, particularly in the U.S. market. In this complex environment, the AP Funds remain committed to acting responsibly and with a long-term perspective. This requires a deeper understanding, continued dialogue, and strong cooperation. We choose to meet these challenges through joint efforts, thorough analysis, and by agreeing on solutions and actions. The Council on Ethics is an essential and resource-efficient part of the AP Funds' sustainability work.

The foundation of the Council on Ethics' mission concerns identifying and acting on signals of breaches of international norms and conventions that Sweden endorses. During 2025, the Council on Ethics has followed up on such signals from the regular screening of the AP Funds' portfolios.

A significant part of this year's work has focused on deepening the analysis of conflict-related risks. The Council on Ethics has updated the AP Funds' common position statement concerning expectations on companies, and reviewed a large number of reports and companies. Through a systematic approach, we have been able to direct attention to the areas where assessments and engagement are most relevant and urgent. Thereby the Council on Ethics has been able to support the AP Funds with prioritisations, assessments and dialogues.

At the same time, we have continued to advance several of our proactive focus areas. For example, the work on Mining 2030 has resulted in concrete recommendations for investors that want to take action for a responsible mining industry. The Big Tech & Human Rights initiative has also progressed, even though the issues continue to grow in complexity — not least with the development of AI.

The Council on Ethics' work requires perseverance, knowledge and collaboration to contribute to real change over time — an insight that also guides the dialogues as well as our choice of projects and partners. We strive to achieve positive change through both industry-level and company-level shifts.

The year 2025 also brought changes for the AP Funds as a result of the Swedish Parliament's decision to wind down the First and Sixth AP Funds. This has required significant efforts within each fund but has not affected the mission, direction or resources of the Council on Ethics. Our work continues unchanged, with the same focus on collaboration, efficiency, and impact.

#### **Fredric Nyström**

*Head of Sustainability and Corporate Governance at AP3, and Chair of the Council on Ethics during 2025*

#### **Jenny Gustafsson**

*Executive Director of the Council on Ethics*



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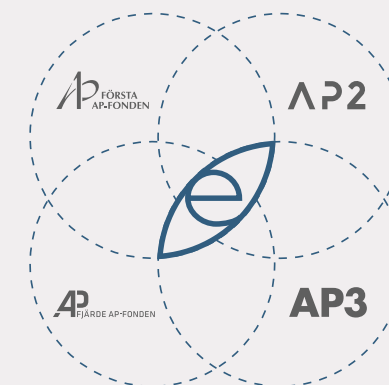
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# This is the Council on Ethics

The Council on Ethics was founded in 2007 by the First, Second, Third and Fourth Swedish National Pension Funds (AP Funds) in order to collectively engage with global portfolio companies and encourage them to take responsibility for environmental, social and governance issues. Collaboration through the Council on Ethics enables the AP Funds to – in a more resource-efficient way and with greater leverage – manage sustainability risks and safeguard pensions.



Jenny Gustafsson, Executive Director; Anna Warberg, Engagement Director and Alexander Elving, Engagement Director.



The First, Second, Third and Fourth AP Funds are buffer funds in the Swedish public income pension system. Their mandate from the Riksdag (the Swedish Parliament) is to manage the fund assets in an exemplary manner through responsible investments and responsible ownership. The AP Funds should also promote sustainable development without compromising on the goal of good returns.

The role of the Council on Ethics is to encourage companies to make improvements in sustainability and to support the AP Funds in complex sustainability areas that are of great importance to people, the environment, and society, and that create value in companies. The Council on Ethics works with companies that breach international conventions that Sweden endorses. We also work proactively with prioritised sustainability issues.

The Council on Ethics often collaborates with other investors and stakeholders globally. We aim to drive change through engagement, by setting clear expectations and by collaborating.

The Council on Ethics attaches great importance to deepening our understanding of the issues at hand as well as of the companies' circumstances, in order to formulate expectations, drive positive change and explore new solutions. We believe in engagement and dialogue as the most important tool for positive change.

Today, the Council on Ethics is well established internationally as the AP Funds' collaboration for active ownership and engagement on sustainability issues. In this way, the Council on Ethics constitutes an essential part of the AP Funds' sustainability strategies and mission as responsible owners.

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# Frameworks that guide the Council on Ethics' work

In its work driving and demanding positive change – both by individual global companies and at the industry level – in the area of sustainability, the Council on Ethics is guided by the AP Funds' common values. The work is based on the Swedish National Pension Funds (AP Funds) Act, international conventions and established standards for responsible business conduct, which together act as a compass for the Council on Ethics.

## The Swedish National Pension Funds (AP Funds) Act



**The AP Funds** are governed by the Swedish National Pension Funds (AP Funds) Act, which stipulates how the buffer capital should be managed in an exemplary manner through responsible investments and responsible ownership. The Council on Ethics was founded by the AP Funds in 2007 as a collaboration to collectively address issues that affect global listed companies and complex sustainability challenges.

## International conventions



**The work of the Council on Ethics** is based on international conventions and agreements that Sweden has endorsed, and which address issues such as human rights, environmental protection and controversial weapons. Examples include:

- The International Covenant on Economic, Social and Cultural Rights (ICESCR)
- The International Covenant on Civil and Political Rights (ICCPR)
- The Convention against Corruption (UNCAC)
- The Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons (UNCCW)
- International Labour Organization (ILO) core conventions about fundamental rights at work
- UN Framework Convention on Climate Change (UNFCCC).

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## Frameworks for responsible business conduct



The Council on Ethics' expectations on companies are based on a number of frameworks and guidelines for responsible business conduct. One of these is the UN Global Compact, which consists of 10 principles for companies derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

Another important framework is the UN Guiding Principles on Business and Human Rights (UNGPs). This sets out how companies should manage risks of breaches of human rights in their own operations, through business relationships, or via their value chains. The UNGPs also set out how companies should ensure access to remedy for those negatively impacted.

The OECD has also established Guidelines for Multinational Enterprises on Responsible Business Conduct, and published guidance for processes and systems that companies can adopt in their work with responsibility and due diligence. The guidelines are recommendations from governments to multinational companies, supported by a network of national contact points which among other things manage complaints against companies.

### UN Global Compact – 10 principles for business

#### ● Human rights

1. Support and respect international human rights in the sphere of corporate influence
2. Ensure that their own companies are not complicit in human rights abuses

#### ● Labour rights

3. Uphold freedom of association and recognise the right to collective bargaining
4. Eliminate all forms of forced labour
5. Abolish child labour
6. Eliminate discrimination in recruitment and occupation

#### ● Environment

7. Support a precautionary approach with regard to environmental risks
8. Undertake initiatives to promote environmental awareness
9. Encourage the development of environmentally friendly technologies

#### ● Anti-corruption

10. Combat all forms of corruption, including extortion and bribery

### The Council on Ethics promotes the Sustainable Development Goals

The Sustainable Development Goals, adopted in 2015 by the UN's 193 member states, provide a globally shared framework to address the world's most urgent sustainability challenges. Achieving the SDGs requires commitment not only from governments and companies, but also from investors.

As global investors, the AP Funds are able to contribute in various ways to the SDGs via their active ownership work and via their investments. The Council on Ethics endeavours to contribute to the SDGs through both reactive and proactive work. The reactive work is informed by identified violations in the AP Fund portfolios and the associated severity. The Council on Ethics' proactive work helps bring about positive change by addressing complex sustainability challenges and material systemic risks.



**THE GLOBAL GOALS**

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## Position statements

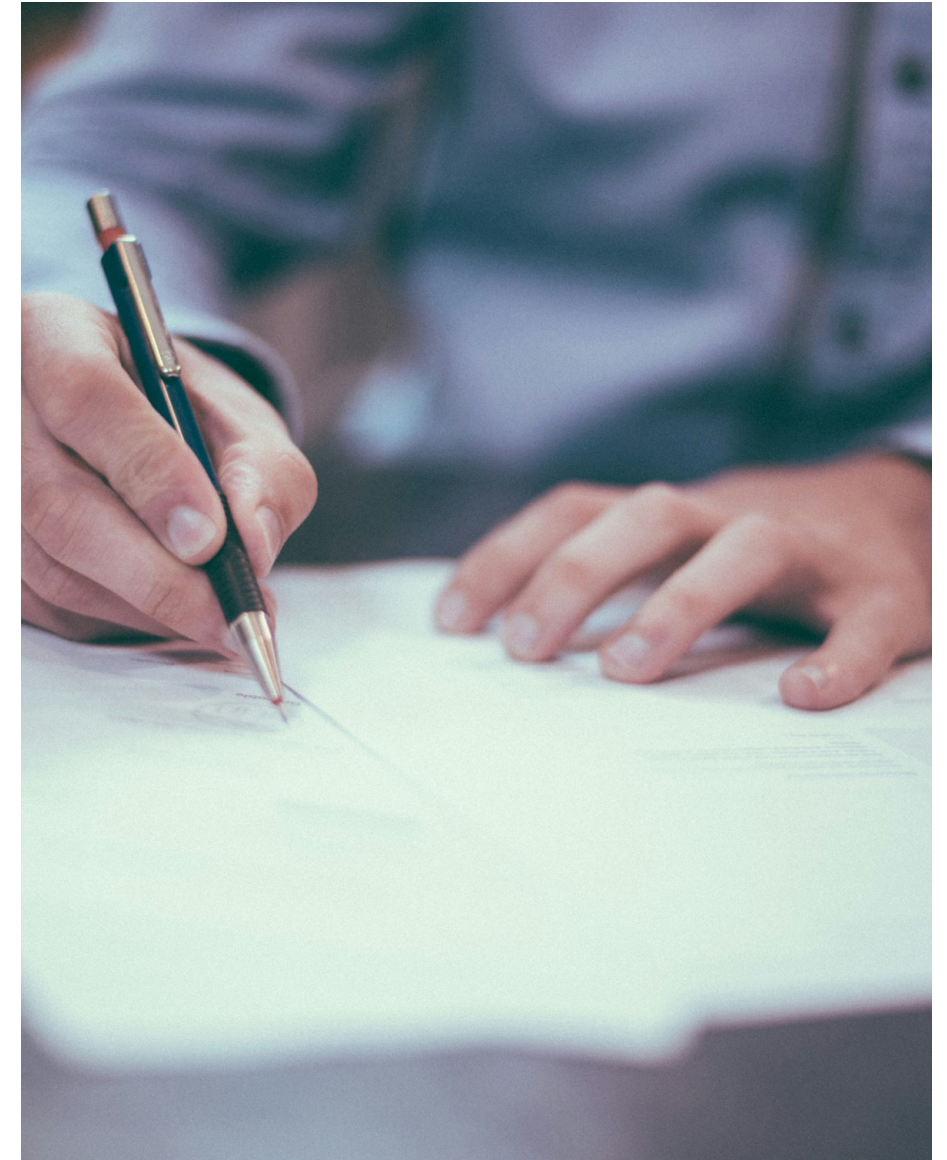


**Where needed**, the Council on Ethics together with the AP Funds formulates position statements with regard to specific sustainability issues. The joint position statements concern complex sustainability areas and are based on the frameworks which guide the work of the AP Funds and the Council on Ethics. By publishing the joint position statements, the AP Funds aim to clarify their views and their expectations on companies with regard to specific topics.

The AP Funds' joint position statements cover the following topics:

- Conflict-affected and high-risk areas
- Controversial weapons
- Commercial gaming
- Corporate tax
- Narcotic drugs
- Tobacco.

[Read more about the position statements on The Council on Ethics website »](#)



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# The Council on Ethics' engagements

The Council on Ethics strengthens the AP Funds as responsible owners, by engaging with companies in order to drive positive change in their management of sustainability throughout their value chains. The engagement work is both proactive and reactive.

## ● Proactive work

The Council on Ethics' proactive work addresses complex sustainability challenges and systemic risks with the aim of creating positive change. By working with focus areas, the Council on Ethics builds up detailed expertise and encourages positive development at company, industry, and system level. The prioritisation and choice of focus areas are based on an analysis weighing in factors such as the potential negative impact on people and the environment, the AP Funds' financial exposure and the opportunities for the Council on Ethics to influence for positive change.

[Read more on page 12 »](#)

## ● Reactive work

In its reactive work, the Council on Ethics identifies, analyses and acts on signals of severe violations in the AP Funds' portfolios. The goal of the reactive dialogues is that the companies take measures to resolve the incidents and prevent recurrence. The Council on Ethics may recommend the AP Funds to exclude companies which do not demonstrate reasonable improvements, or with which the possibility to influence positively is deemed to be limited.

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# Dialogue as the primary tool for change

The Council on Ethics engages in dialogues with companies as a primary tool for driving positive change in their management of sustainability issues. Change takes time and the dialogues often last several years. The Council on Ethics continuously monitors and evaluates progress towards the objectives that have been set for the dialogue.

## What is a dialogue?

A **company dialogue** is initiated when contact is established with the company with regard to a specific issue. In the dialogue, a discussion takes place with the company about challenges and about the Council on Ethics' expectations and requirements for improvements in relevant sustainability areas. The dialogues are based on clear objectives, such as improved governance through policies, their implementation and transparent reporting. Progress towards the objectives and the dialogue strategy are evaluated on a continuous basis. Contact is by e-mail, telephone, video meetings or site visits.

## Who participates in a dialogue?

The **Council on Ethics** may participate in a dialogue directly or through a service provider. The Council on Ethics often collaborates with other investors in order to increase leverage in the dialogue. The dialogue is often initiated with the company's investor relations team or through direct contact with its sustainability and topic experts. Depending on whether the challenges are unique to a company or common for an industry, the dialogues may be company-specific or with several companies within the specific industry. In some cases other stakeholders in the value chain may also need to join in the efforts to address the issue.

## Success factors

The Council on Ethics' approach in engagement dialogues is based on methods established in academic research.

### ● Expertise

Specialist knowledge of specific sustainability issues lays the foundation for a successful dialogue and engagement. It is also important to research and understand how each company has addressed the issue to date, as well as its circumstances and challenges.

### ● Trust

If the Council on Ethics is able to create a constructive environment for the dialogue, the possibility to influence the company in a positive direction improves. Company dialogues are conducted in confidence, and it is therefore not always possible to report about them publicly. The Council on Ethics promotes transparency and aims to report on its engagement work to the greatest degree possible.

### ● Collaboration

In order to make engagements with companies more effective, the Council on Ethics may collaborate with other investors, often globally. That way, the leverage to promote positive change is increased.

### ● Tailored approach

The Council on Ethics may choose different ways in which to conduct the dialogues, tailored to the specific situation, sustainability issue and progress in the discussions.

### ● Best practice

Companies do not want to be worse than their peers, and working with several companies at the same time is often a successful strategy. The Council on Ethics may also facilitate the sharing of experiences and best practice between companies in different industries facing similar challenges.

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○ Proactive work

# Positive change in complex sustainability challenges

The Council on Ethics' proactive work addresses complex sustainability challenges and systemic risks with the aim of creating positive change. By working with focus areas, the Council on Ethics deepens its expertise and encourages positive development at company, industry, and system level.

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## Proactive work

# Process for the Council on Ethics' proactive work

The Council on Ethics' proactive work is long-term and based on a number of focus areas that extend over several years. A systematic process provides support for prioritisation, selection of projects, and ongoing evaluation.

Many sustainability challenges are complex, dynamic and extensive. Industry- and system-wide shortcomings can rarely be solved by a single company or a single investor but require different stakeholders to act together to limit negative impacts and promote more sustainable development. At the

same time, individual companies have a responsibility to understand, manage risk and act based on their role in the value chain.

The AP Funds and the Council on Ethics have a process for identifying relevant risk areas, prioritising and evaluating

proactive work, and opportunities for positive development. If necessary, the Council on Ethics can, based on the ongoing analysis of external factors, act outside the focus areas.

## Analysis of external factors

- Ongoing monitoring and identification of risk areas in environment, social issues and corporate governance.
- Materiality analysis based on the principle of double materiality: how the companies in the AP Funds' portfolios are affected by the risks, and how the companies and their value chains can affect the outside world.



## Focus areas

- The selection of focus areas is based on the analysis of external factors and prioritisation within the AP Funds and the Council on Ethics.
- The focus areas are intended to complement and/or strengthen the AP Funds' own sustainability work.
- The selection process also assesses the ability of the AP Funds and the Council on Ethics to exert influence.



## Projekt

- Some projects focus on company dialogue, others on work with different stakeholders and cross-industry activities from a systems perspective.
- The selection of projects considers the opportunities for the AP Funds and the Council on Ethics to influence positive development.
- Projects are initiated with analysis, defining objectives and a plan for follow-up of progress and results.

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## Proactive work

# The Council on Ethics' five focus areas

In 2023, the Council on Ethics and the AP Funds selected five focus areas that address complex sustainability challenges and systemic risks that affect both the AP Funds' investments and society. Some projects had started before the focus areas were defined. In 2025, the Council on Ethics participated in nine projects.



### Antimicrobial resistance (AMR)

Antimicrobial resistance (AMR) occurs when bacteria, viruses, fungi and parasites no longer respond to drugs, making infections more difficult to treat and increasing the risk of the spread of disease, severe illness and death. The main contributing factor to the development of AMR is the overuse and misuse of antibiotics in intensive industrial animal farming. AMR is a global systemic risk to both public health and the economy. [Read more here »](#)

#### Ongoing projects 2025

- Investor Action on AMR
- FAIRR Animal Pharmaceuticals
- FAIRR Restaurant Antibiotics



### Child labour and forced labour

Child labour and forced labour occur in all parts of the world, but are particularly common within certain sectors and regions. Companies may be exposed in their own operations, or through their supply chains. The Council on Ethics has prioritised industries such as textiles, construction and consumer goods. To identify, prevent and mitigate negative impacts on human rights is a basic principle of responsible business conduct. [Read more here »](#)

#### Ongoing projects 2025

- Follow-up on child labour in the cocoa industry (new 2025)



### Climate transition

Climate change poses a serious systemic risk that can have a significant impact on the AP Funds' assets and a negative impact on the living conditions of current and future generations. The Council on Ethics prioritises its work to ensure that the efforts have the best possible effect, with a focus on the transition of emissions-heavy industries as well as critical metals and minerals needed in the climate transition. The work also aims to complement and strengthen the AP Funds' respective climate strategies. [Read more here »](#)

#### Ongoing projects 2025

- Steel value chain engagement
- Global Investor Commission on Mining 2030



### Tech companies and human rights

Online platforms and the big tech companies play an increasingly important role in society, with several opportunities but also challenges related to human rights. Some of these relate to complex issues such as integrity and freedom of expression, impacts on democratic systems, reinforcing extremism and impacts on vulnerable groups. In many cases these types of risks are amplified by the companies' business models and culture. [Read more here »](#)

#### Ongoing projects 2025

- Big Tech & Human Rights investor collaboration



### Water

Good quality and sufficient amounts of water are essential for health, sanitation, food production, power generation and numerous other industrial processes. Water is also closely connected to many other global challenges and risks, such as climate change, biodiversity loss and involuntary migration. Water scarcity is therefore a pressing global challenge, with significant consequences for companies and investors. [Read more here »](#)

#### Ongoing projects 2025

- Investor Initiative on Hazardous Chemicals
- Valuing Water Finance Initiative

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## Focus area

# Antimicrobial resistance

**Antimicrobial resistance (AMR) is a systemic risk to both society and the global economy. If effective countermeasures are not taken, the global annual GDP loss by 2050 is estimated to be nearly -4 percent, and up to ten million people risk dying each year, according to the World Bank. The WHO has identified AMR as one of the greatest global threats to public health.**

AMR occurs when bacteria, viruses, fungi, and parasites survive despite being exposed to drugs, making infections more difficult to treat and increasing the risk of the spread of disease, severe illness, and death. The main contributing factor to the development of AMR is the overuse and misuse of antibiotics in intensive industrial animal farming.

Effective antibiotics are a necessary component of an efficient healthcare system. For long-term investors like the AP Funds, AMR is considered a priority systemic risk, and it is important that effective countermeasures are taken because AMR can pose a serious threat to people, society, specific industries (including food production and healthcare), as well as economic growth and thus the AP Funds' investments.

Stopping AMR is a complex and extensive challenge, and the Council on Ethics therefore believes that collaboration between different actors is key to effectiveness.

## Priorities for the Council on Ethics

Within the focus area of AMR, the Council on Ethics primarily has two priorities. The Council on Ethics works to raise awareness among investors and other stakeholders about why AMR is a significant risk to public health and the economy, and thereby the AP Funds' portfolios. The Council on Ethics also works to influence systemically important companies, especially in the animal pharmaceutical and fast-food industries, where the funds have holdings, towards responsible use of antibiotics. The reason the Council on Ethics prioritises animal husbandry is that antibiotics are used for growth promotion and to prevent animals from getting sick, resulting in intensive industrial animal farming accounting for more than 70 percent of global antibiotic use. Overuse of antibiotics in intensive industrial animal farming is therefore considered the single largest contributing factor to AMR. The demand for



meat, fish and dairy products is expected to increase with the global population growth, making the need for responsible use of antibiotics even more relevant to limit the risk of wide-spread AMR.

## Progress in the focus area

2023

The Council on Ethics joins the FAIRR (Farm Animal Investment Risk and Return) initiative and participates in initial discussions with companies and experts.

2024

The Council on Ethics joins the Investor Action on AMR project, signs a statement ahead of the UN high-level meeting on AMR, and participates in the MSCI Sustainability Institute's investor guide.

2025

The Council on Ethics signs the World Economic Forum's The Davos Compact on AMR to highlight the risks associated with AMR. Company dialogues continue.

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## Project: FAIRR Animal Pharmaceuticals

### Background facts

**Region:** Global

**Topic:** Responsible production and use of antibiotics

**Number of companies:** 7

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

Just over 70 percent of the global volume of antimicrobial medicines is used on animals within the food value chain. Overuse of these critical medicines for growth promotion and disease prevention contributes to AMR, which is why the Council on Ethics focuses on this sector and companies that are considered systemically important.

#### Project objectives

The aim of the project is to influence companies to increase transparency and clarity on how AMR risks are managed, including in sales and marketing, and to limit the use of medically important antibiotics in intensive industrial livestock production for growth promotion and disease prevention.

#### Outcomes

The latest evaluation of the companies shows that further measures are necessary to encourage them to disclose relevant risks and how these are managed.

#### Next steps

In 2026, evaluations of the companies included in the project will continue.

[Read more about FAIRR Animal Pharmaceuticals »](#)

## Project: FAIRR Restaurant Antibiotics

### Background facts

**Region:** Global

**Topic:** Responsible use of antibiotics

**Number of companies:** 12

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

The fast-food industry, as a major purchaser of animal protein, has an important role to play in addressing the risks of AMR within its respective value chains. As a key part of the chain for the use of antibiotics, the industry must ensure that the proteins it purchases are produced responsibly.

#### Project objectives

The aim of the project is to influence companies to increase transparency and clarity on how AMR risks are managed within their value chains, including through the development of policies covering all key proteins in alignment with WHO guidelines, as well as setting targets and monitoring progress.

#### Outcomes

The latest evaluation of the companies shows that further measures are necessary to encourage them to disclose relevant risks and how these are managed.

#### Next steps

In 2026, evaluations of the companies included in the project will continue.

[Read more about FAIRR Restaurant Antibiotics »](#)

## Project: Investor Action on AMR (IAAMR)

### Background facts

**Region:** Global

**Topic:** Responsible production and use of antibiotics

**Number of companies:** N/A

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

AMR receives less attention compared to the risks it poses than other significant sustainability risks. This is one of the reasons why the Council on Ethics is engaged in the issue.

Since spring 2024, the Council on Ethics has been a member of Investor Action on AMR (IAAMR), a global investor network working to raise awareness of the risks associated with AMR. The initiative is supported by over 20 institutional investors managing approximately USD 14 trillion in assets.

The purpose of IAAMR is to leverage investors' influence to highlight and address AMR-related risks, and to share experiences of these risks from an investment perspective.

Within the project, the Council on Ethics collaborates with other investors and benefits from the expertise of organisations such as FAIRR, which coordinates the project together with the Access to Medicine Foundation.

#### Project objectives

The aim of the project, and the Council on Ethics' participation, is to contribute to increased awareness of the growing threat of AMR and to ensure that AMR is increasingly integrated into risk management and deci-

sion-making in investment contexts, at policy level and in dialogue with companies.

#### Outcomes

During the spring of 2025 the Council on Ethics signed the World Economic Forum's The Davos Compact on AMR, aimed at drawing attention to the risks associated with AMR.

The background is that the Council on Ethics in 2024 supported a public statement ahead of the UN High-Level Meeting on AMR. The statement outlined the Council on Ethics expectations regarding, for example, the adoption of scientifically based guidelines and targets. The declaration adopted by the UN included several steps in the right direction, such as the establishment of an independent panel to provide decision-makers with scientifically grounded evidence, as well as certain quantitative targets concerning the impacts of AMR. [The independent panel](#) will be established in 2026.

At the same time, the statement notes that more needs to be done beyond the declaration, such as awareness raising.

The Davos Compact builds on the political declaration and focuses on the private sector, as well as asset owners and pension funds.

#### Next steps

The Council on Ethics will continue to work to raise awareness among relevant stakeholders about the importance of addressing AMR-related risks. This will primarily take place in collaboration with both public and private stakeholders.

[Read more about Investor Action on AMR »](#)

[Read more about The Davos Compact »](#)

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## Focus area

# Child labour and forced labour

Millions of people around the world are subjected to forced labour and/or child labour. The Council on Ethics has for several years engaged in company dialogues within high-risk industries, in order to promote system changes which address the negative impacts on individuals as well as society as a whole.

According to the latest statistics from the International Labour Organization (ILO) and UNICEF, published in June 2025, there were an estimated 137.6 million children in child labour worldwide in 2024. Child labour has declined since 2020, with 100 million fewer children involved in child labour now compared to the year 2000. At the same time, according to ILO and UNICEF, efforts to combat child labour need to accelerate eleven times faster than the current pace in order to eliminate child labour by 2030, in line with the Sustainable Development Goals.

The number of people in forced labour, however, has increased according to ILO, from 24.9 million in 2016 to 27.6 million in 2021. Around two-thirds of all forced labour occurs in the private sector, and the economic gains linked to forced labour are estimated at USD 236 billion per year.

During 2025, the Council on Ethics has carried out an in-depth analysis of child labour and forced labour in global supply chains. Child labour has long been most common in the agricultural sector. Even though 61 percent of all child

labour still occurs within agriculture, this proportion has decreased since 2020 and the occurrence in the services and industrial sectors has increased. Forced labour on the other hand appears most frequently in the services sector, followed by manufacturing and construction. In November 2025, ILO updated its guidance on [indicators of forced labour](#) and highlighted the particularly challenging issue of state-imposed forced labour.

Crops and raw materials grown and extracted using child labour or forced labour are used as input in global value chains. The NGO Walk Free has estimated that goods worth USD 468 billion imported by G20 countries in 2021 could be linked to a risk of having been produced through so-called modern slavery – which includes forced labour, trafficking and the worst forms of child labour. Examples of categories of high-risk goods with a high import value include electronics and garments.

Electronics is an example where there are value chains risks at multiple stages – from the extraction of critical minerals in



high-risk areas, to the manufacturing of components in regions with a high proportion of migrant workers. These risks are worsening as demand increases significantly, driven by the green transition, the development of the defence sector, and increased digitalisation.

## Priorities for the Council on Ethics

The link between child labour and forced labour in global value chains is a complex issue that the Council on Ethics continues to explore in order to prioritise relevant activities. During 2025, the Council on Ethics chose to follow up on a previous project focusing on child labour within the cocoa supply chain. Read more about this work on page 18.

## Progress in the focus area

2023

The second year of the project focusing on forced labour in the construction and textile industries.

2024

The project focusing on forced labour in the construction and textile industries is concluded. The Council on Ethics starts a review of the future direction of the focus area.

2025

The Council on Ethics conducts an in-depth analysis of child labour and forced labour in global supply chains. Follow-up with companies in the cocoa industry.

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## Interview:

# Anna Warberg on child labour in the cocoa industry

The work within the Council on Ethics' focus area dedicated to Child labour and forced labour addresses sectors where the risks are particularly high, especially in the supply chain. Anna Warberg, Engagement Director, shares insights from the Council on Ethics' projects related to child labour in the cocoa industry.

## Background facts

**Region:** Global

**Topic:** Child labour in the supply chain

**Number of companies:** 7

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

### Why has the Council on Ethics chosen to address child labour in the cocoa industry?

The presence of child labour in the cocoa industry has been highlighted for many years. In Côte d'Ivoire and Ghana – the world's leading cocoa producers, accounting for around 60 percent of global cocoa production – it is estimated that 1.5 million children work within the cocoa supply chain.

Cocoa is mainly grown on family farms and then handled through a complex supply chain. In small-scale cocoa farming, child labour – at the expense of schooling – remains common and is often necessary for the families'

income. It is estimated that child labour occurs in 41 percent and 55 percent of all households involved in cocoa production in Côte d'Ivoire and Ghana respectively. Around 40 percent of these children are estimated to carry out dangerous work, including handling sharp tools, lighting fires, exposure to chemicals, and heavy lifting.

“Child labour is a material risk for cocoa and chocolate companies.”

A large number of intermediaries in the production chain result in a low profit share for cocoa farmers. Today, it is difficult to make a living from cocoa farming and poverty is widespread among cocoa growers, which has contributed to the younger generation often seeing no future in cocoa production and instead moving to cities.

In order to ensure sustainable production, attract and retain the right workforce and secure a stable supply of cocoa as a commodity, the cocoa industry must ensure that cultivation is profitable and that farmers can earn a living.

### Why has the Council on Ethics chosen to follow up on the work during 2025?

The Council on Ethics has previously participated in a project involving dialogue with seven major cocoa and chocolate companies. These dialogues focused on three areas: child labour monitoring and remediation systems (CLMRS), access to education for children in cocoa farming communities, and living incomes for cocoa farmers. The aim of the project was to for concrete measures to be taken and that child labour in cocoa farming was reduced, with the long-term goal of eliminating it entirely.

When the project concluded in 2022, the Council on Ethics noted that companies had improved and expanded the implementation of CLMRS and taken steps to enable living incomes for cocoa farmers. However, many deeply rooted challenges remain, and in 2025 the Council on Ethics decided to follow up on the work with the help of analysis from service provider Morningstar Sustainalytics. The follow-up is also connected to another project the Council on Ethics took part in during 2023 and 2024. That project focused on the risk of child labour in sectors such as food and beverage.



### What conclusions does the Council on Ethics draw from the work in 2025?

The follow-up shows that companies have continued to improve their management of child labour risks in their supply chains, but there is still room for improvement. The Council on Ethics has provided feedback to the companies with recommendations and encouragement to continue this important work.

Among other things, CLMRS reporting should be extended to cover the entire supply chain, rather than only direct suppliers, and transparency regarding strategies linked to living incomes for cocoa farmers should be improved. Companies should also develop plans to strengthen farm-level traceability among both direct and indirect suppliers.

Another important area for development is to make use of all the data collected through various programmes in recent years, to build models that can predict child labour risks.

Read more about the previous projects in the [Council on Ethics' Annual Reports 2022 and 2024](#) »

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## Focus area

# Climate transition

**Climate change is considered a serious systemic risk that can significantly impact the assets of the AP Funds and negatively affect the living conditions of current and future generations. The Council on Ethics and the AP Funds are working for a sustainable transition in line with the Paris Agreement.**

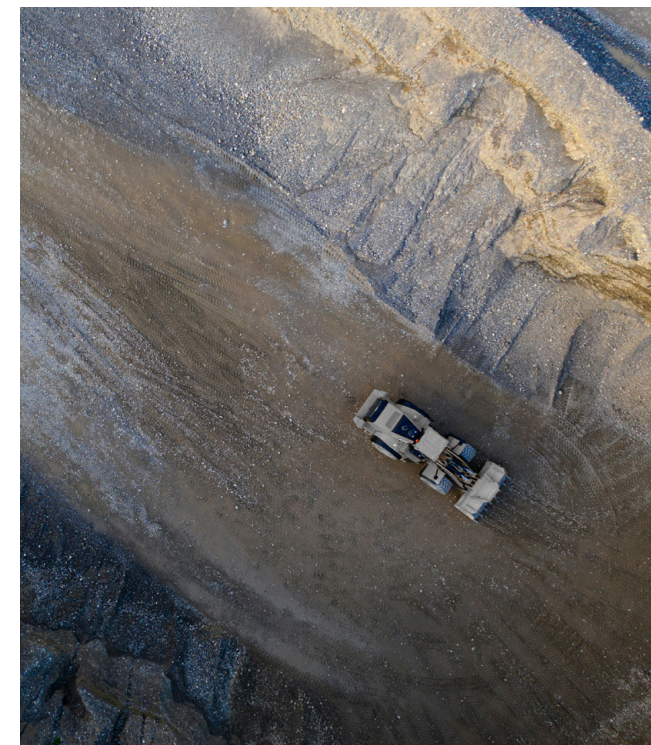
The climate transition is system-critical, and for long-term investors like the AP Funds, it is important that their portfolio companies manage climate-related risks, limit their negative climate impact, and contribute to the goals of the Paris Agreement. The scope of the climate transition means that the Council on Ethics needs to prioritise and focus its work. Therefore, the Council on Ethics makes an overall assessment of how and where to direct its efforts to achieve the best possible effect. The Council on Ethics aims to complement and strengthen the climate-related work carried out by each AP Fund.

### Priorities for the Council on Ethics

Based on this premise, the Council on Ethics prioritises two areas: the transition of emission-intensive industries and the steel industry specifically, and the mining sector's management of sustainability challenges in light of the increased need for extraction of critical minerals and metals that enable the climate transition.

The Council on Ethics collaborates on these issues with other capital market actors within two different projects: Steel Value Chain Engagement and the Global Investor Commission on Mining 2030.

The transition of emission-intensive industries is particularly important to limit negative climate impacts and to contribute to the goals of the Paris Agreement. At the same time, it is challenging for individual companies to transition their operations on their own, as they are also dependent on the decisions and activities of other actors. Often, innovation and technology that are still under development are required. Therefore, there is a need for investors, companies, suppliers, and customers across the value chain to collaborate to identify measures for a successful transition. The mining industry has significant sustainability-related risks and effects. At the same time the mining sector is critical to society and crucial in the climate transition. Everything from batteries for electric vehicles to renewable energy production contributes to an increased demand for critical metals and minerals. The Council on Ethics



works to ensure that the mining industry meets the increased demand in a sustainable and responsible manner. Previously, the Council on Ethics has among other things been involved in the work to ensure that mining companies globally take responsibility for their mine waste, which has resulted in a global standard for tailings dams.

### Progress in the focus area

2023

Through its participation in the steering committee for the Global Investor Commission on Mining 2030 (Mining 2030), the Council on Ethics has been involved in the preparations that led to the establishment of the project.

2024

The Council on Ethics joins the Steel Value Chain Engagement project. Mining 2030 launches six strategic goals and establishes a project plan.

2025

Mining 2030 sets up working groups and conducts public consultations. A vision for a sustainable mining industry, along with recommendations for future work, is launched in São Paulo in November.

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## Project: Steel Value Chain Engagement

### Background facts

**Region:** Europe

**Topic:** Transition of emission-intensive industries

**Number of companies:** Around 40

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

The Council on Ethics participates in the Steel Value Chain Engagement, coordinated by the Institutional Investors Group on Climate Change (IIGCC), with the aim of encouraging companies in steel-intensive sectors to clarify and disclose their demand for so-called green steel. This is intended to send clear signals to steel companies that there is demand for green steel, thereby providing incentives for the transition within the steel sector. Particular emphasis is placed on identifying potential barriers that prevent companies from increasing their procurement of green steel. The project is part of phase two of the Climate Action 100+ initiative and targets around 40 European companies in steel-intensive sectors.

Steel production generates more carbon dioxide emissions than any other heavy industry and accounts for approximately 8 percent of total global emissions. At the same time, dialogue with individual companies within a specific value chain is often insufficient, as a transition aligned with the Paris Agreement depends on actions by multiple companies across the entire value chain as well as other external factors.

Steel manufacturers with high climate ambitions are actively working to transform production but it requires the entire value chain – suppliers, customers, investors, and governments – to work together to transform the global steel market.

#### Project objectives

This project aims to clarify the demand for green steel. By increasing the scale of green steel production, the cost – currently higher than traditional steel manufacturing – can be reduced. The objectives of the project are:

- to make the demand for green steel clear in order to stimulate investment in the steel industry's transition,

- and to help accelerate the expansion of green steel production.

In practice, this will be achieved by encouraging companies to publicly report in line with a framework previously developed by [IIGCC – the Steel Purchaser Framework](#). The framework includes targets for the proportion of green steel and emissions intensity in steel procurement.

#### Outcomes

During 2025, the Council on Ethics has engaged in dialogue with one company regarding the conditions for purchasing green steel. It has been noted, among other things, that green steel is still too expensive and is not sufficiently demanded in procurement processes.

#### Next steps

In 2026, dialogues with the companies involved in the project will be evaluated, together with their targets for green steel as a share of their steel purchases.

[Read more about Steel Value Chain Engagement here »](#)

## Project: Global Investor Commission on Mining 2030

### Background facts

**Region:** Global

**Topic:** Responsible extraction of critical metals and minerals needed for the climate transition

**Number of companies:** N/A

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

The Global Investor Commission on Mining 2030 (Mining 2030) was launched in 2022 with the aim of defining and promoting a vision for a socially and environmentally sustainable mining sector, and clarifying the role of the financial industry in realising this vision. The Council on Ethics is represented on the project's steering committee and has been involved in the work leading up to the launch of the project. The project is an investor-led collaboration with multiple stakeholders, including civil society, academia, trade unions, and the mining sector.

The mining industry plays a crucial role in the climate transition, and to achieve the goals of the Paris Agreement, more mining will be required. Therefore, it is essential that the sector contributes to the transition in a sustainable way. Long-term investors have an important role to play by conveying expectations on how sustainable mining should be conducted.

#### Project objectives

The project has identified seven strategic goals, including the development of a shared

understanding of investor expectations for mining companies that extract critical minerals and metals, in line with global standards for the mining sector. The goals also focus on ensuring that companies demanding minerals and metals adhere to the same standards, and that legislation reinforces these expectations. In addition, the goals address the mining sector's lasting benefits at local and national levels, as well as how to identify and reduce drivers of conflicts related to mining – and, importantly, what investors can do to enable the achievement of these goals.

#### Outcomes

In November 2025, a vision and accompanying recommendations were launched, based on consultations with stakeholders during the year – both in South Africa in February and digitally during the summer.

The vision – a mining industry that can meet global demand in a responsible manner – and the recommendations presented are open for consultation for broader alignment until the end of February 2026. Among the recommendations is the development of harmonised investor expectations for mining companies and for companies that demand minerals and metals.

#### Next Steps

The implementation phase of the project begins in 2026. At the end of 2025 and the beginning of 2026, consultations on the vision and recommendations are ongoing. After that, a final vision will be presented together with recommendations for achieving it. Proposals on how the recommendations can be implemented will also be presented.

[Read more about The Global Investor Commission on Mining 2030 here »](#)

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## Interview:

# Alexander Elving on the Council on Ethics' work with the mining sector

Minerals and metals are essential for our economy and societies, as they play an important role in everything from agriculture to energy, industry, communication, and infrastructure. Minerals and metals also have a particularly important role in the climate transition. Alexander Elving, Engagement Director, shares insights from the Council on Ethics' work in the mining sector.



### Why has the Council on Ethics chosen to work with the mining sector?

To achieve the climate goals of the Paris Agreement, more minerals and metals will be required. According to the International Energy Agency (IEA), annual demand for so-called transition minerals will triple by 2050 (see diagram). These minerals are often found on or near indigenous peoples' lands, in areas with water scarcity, sensitive ecosystems, or in jurisdictions with weak governance.

The mining sector can create lasting value for communities by strengthening local economies, delivering improved infrastructure, and creating opportunities that extend far beyond the life of the mine. However, when not managed responsibly, significant risks can arise for people and the environment – and, as a result, for companies' ability to operate.

### Why is the mining sector important for the AP Funds?

The AP Funds have significant, primarily indirect, exposure to the global mining sector. There are typically relatively few mining companies in the portfolios, but the dependence

on the sector is substantial for many other sectors, such as heavy industry, energy (particularly renewables), technology and telecoms, transport, defence, and agriculture.

“The Council on Ethics works for a socially and environmentally sustainable mining sector.”

At the same time, mining operations involve significant sustainability risks, and the sector is overrepresented when it comes to controversies related to, for example, human rights.

What happens at the mining stage is important both for mining companies and for companies further up the value chain – and therefore for the AP Funds, both in the role as investors and as responsible owners.

### How does the Council on Ethics work with the mining sector?

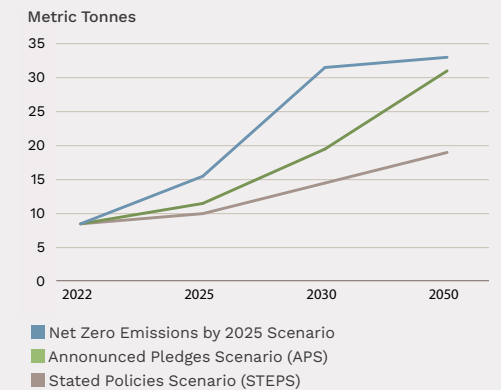
The Council on Ethics has long experience of engaging in the mining sector, for example

through the Investor Mine Tailings & Safety Initiative. This project was launched after several serious mining accidents and resulted in a global industry standard for tailings dams (Global Industry Standard for Tailings Management – GISTM). The Global Investor Commission on Mining 2030 builds on this work and addresses the sector's challenges in a broader sense (read more on page 20).

As part of this effort, the Council on Ethics helped organise roundtable discussions at the African Mining Indaba and Alternative Mining Indaba in Cape Town in February 2025. The discussions focused on how the mining sector can deliver benefits for local communities and how to identify and reduce drivers of conflicts related to mining. The importance of joint action by the sector's many stakeholders was also highlighted.

In November 2025, the Council on Ethics participated in an investor trip focused on the mining sector in Brazil, organised in connection with the UN PRI in Person conference. Key elements included meetings with mining companies and the presentation of Mining 2030 to President Lula and several ministers.

### Demand for transition minerals according to the International Energy Agency



Source: International Energy Agency, IEA (2024)

The Council on Ethics also visited Brumadinho and the memorial site for the disaster that occurred in 2019, when 272 people lost their lives. The incident became the starting point for the work on managing risks in the mining sector that the Council on Ethics has been involved in ever since.

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## Focus area

# Tech companies and human rights

**Internet and social media have become a naturally integrated part of society, which involves both opportunities and challenges for a sustainable development. The goal of the Council on Ethics' work in this focus area is that the big tech companies strengthen their management of human rights impacts.**

Big tech companies' products and services become increasingly prominent in our daily lives, and present a significant potential for the development of society. Digital services can contribute positively, but there are also risks of severe human rights breaches and negative impacts on society. The risks involved are connected to complex issues such as integrity, freedom of expression and impacts on democratic systems, and also extremism, hate speech and sexual exploitation of children.

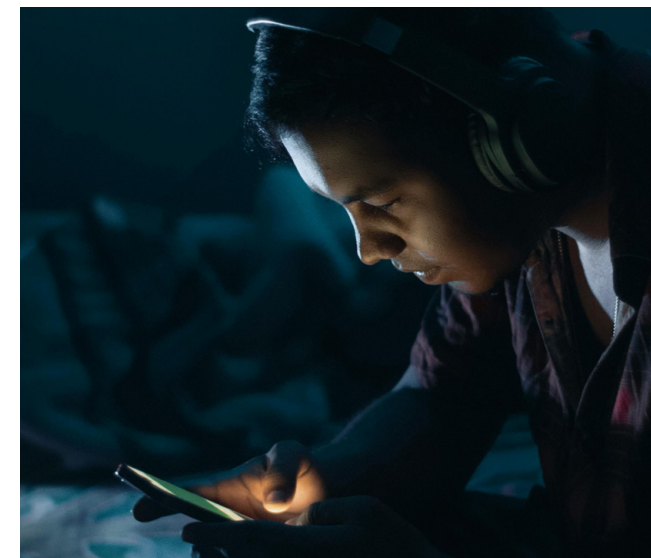
Many online platforms are built on business models based on maximising the number of interactions and providing users with information that they are interested in. This entails risks for a flow of extreme or one-sided opinions and the spread of damaging, offensive or false content that can further entrench polarisation in society. The online platforms' algorithms and way of delivering information is also criticised for driving addiction and negatively impacting the mental health development of young users. Technological innovation involves great opportunities for society, such as through “the

fourth industrial revolution”, but also accelerated system risks. For example, the World Economic Forum has flagged that misinformation, disinformation and polarisation has high risks both in the short and long term, and points out that these risks are strongly intertwined and could potentially reinforce each other.

Regulation has attempted to address the challenges with tech companies responsibility for a safe online environment, responsible artificial intelligence (AI) and the impact on young users. However, there are significant challenges related to the business in the sector being highly dynamic, diversified, global and technologically complex.

## Priorities for the Council on Ethics

The Council on Ethics has been active in the area of tech and human rights since 2019. Together with the Danish Institute for Human Rights, the Council on Ethics produced an [investor expectations document](#) in 2020. In March 2023, the Council on Ethics launched an international investor collaboration



with the objective that big tech companies strengthen their management of human rights.

During 2025, these issues have continued to grow in complexity, with further reports of various types of serious incidents, while technological development is advancing rapidly. In several markets, regulations that were previously introduced have been loosened, while in other areas stricter rules concerning children and young people are being discussed. Over the course of the year, several tech companies have also implemented changes to policies and processes that have been criticised for increasing the risk of human rights violations.

## Progress in the focus area

2023

The Council on Ethics launches the Big Tech & Human Rights initiative. Engagement objectives were formulated, and initial contact was made with target companies. Dialogues were initiated.

2024

The dialogues continue. Dialogue has been established with six of the seven target companies, through physical and digital meetings.

2025

The project continues with company dialogues as well as participation in panel discussions at the Internet Governance Forum and the UN Forum on Business and Human Rights.

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## Project: Big Tech & Human Rights investor collaboration

### Background facts

**Region:** Global

**Topic:** Tech companies and human rights

**Number of companies:** 7

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

In March 2023, the Council on Ethics launched a collaboration with more than 30 other major institutional investors, collectively representing over €7 trillion in assets under management. The project focuses on tech companies, human rights, and systemic risks linked to the use and role of online platforms in society. The initiative targets seven major tech companies: Alibaba, Alphabet, Amazon, Apple, Meta, Microsoft, and Tencent. The Council on Ethics coordinates the project and participates in individual company dialogues.

### Project objectives

The aim of the project is for tech companies to strengthen and adjust their work on human rights so that their operations align with the UN Guiding Principles on Business and Human Rights (UNGPR). This overarching goal is followed up within five specific target areas:

- Culture and business model
- Content management
- Vulnerable groups
- Access to remedy
- Stakeholder engagement.

In the company dialogues, the Council on Ethics and its collaboration partners express clear expectations of the companies regarding

their governance and oversight of significant human rights risks. It is important that companies have robust processes in place to identify risks, address any negative impact on users and society at large, and ensure these processes are continuously monitored and evaluated.

### Company dialogue outcomes

The company dialogues within the initiative have continued and developed further during 2025. By the end of the year, dialogue had been established with six of the seven companies involved, although some have proven less open to constructive engagement.

Specific issues addressed in individual dialogues vary, but most share a common focus on governance, oversight and evaluation of relevant processes and targets linked to respect for human rights, as well as opportunities for increased transparency. The management of risks specifically concerning children and young users is a theme that also recurs in several dialogues. Although AI is not a particular focus within the initiative, corpo-

rate dialogues have often touched on specific risks related to, for example, AI-generated content. One issue that has received more attention in a number of dialogues during 2025 is companies' connection to conflicts.

### Knowledge-building

An important part of this investor collaboration is to continuously build and share knowledge on the issues within the investor group, with tech companies and with other stakeholders. During 2025, the Council on Ethics organised the following knowledge-building seminars addressing topics relevant to company dialogues:

- With UNICEF and BSR on [their work and tools for impact assessments for children's rights within tech](#).
- Panel discussion on the role of investors in governing tech issues, organised together with the Global Network Initiative in connection with the Internet Governance Forum in Lillestrøm, Norway.

- Panel discussion on safeguarding human rights in the AI era, organised together with other investor groups coordinated by the Investor Alliance for Human Rights and the World Benchmarking Alliance in connection with the UN Forum on Business and Human Rights.

### Next steps

The company dialogues and knowledge-sharing activities will continue during 2026. During 2025, the investor group gathered for a workshop to evaluate the project's direction and progress, followed by strategic discussions within the steering group. Investors participating in the project agree on the continued relevance of these issues. Insights from the workshop and this year's knowledge exchanges will be intergrated into the work going forward.

[Read more about the Big Tech & Human Rights investor collaboration »](#)

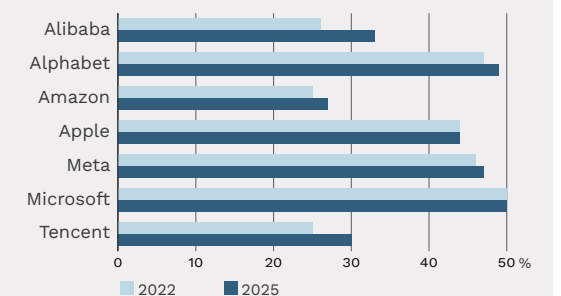


### Ranking Digital Rights

The companies covered by the Big Tech & Human Rights collaboration are regularly assessed by the [Ranking Digital Rights \(RDR\) Index](#). The assessment criteria do not fully align with the project's target areas, but RDR provides an overview of how the companies perform on key indicators such as human rights impact assessments, policy compliance, and processes for moderating content on their platforms.

RDR was last updated in 2025. The evaluation shows that most companies have only improved marginally since 2022. The two Chinese companies demonstrate better progress since 2022 but still perform worse than most of the major US platform companies. RDR is used as a starting point for company dialogues within an [investor initiative coordinated by the Investor Alliance for Human Rights](#), with which the Big Tech & Human Rights project collaborates.

### Performance development according to Ranking Digital Rights



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## Focus area

# Water

**Good quality and sufficient quantities of water are essential for everything from health and sanitation to production of food and energy. Water is also connected to other global challenges and risks such as climate change, loss of biological diversity and human rights. The Council on Ethics considers that the management and valuation of water has consequences for both people, society and companies.**

Water scarcity may seem to be a distant issue in many places in developed countries, but it is estimated that only around 3 percent of the water on Earth is freshwater and that more than two billion people around the world lack access to safe drinking water.

At the same time, demand and industrial use of water are increasing rapidly, primarily due to population growth, economic development and new consumption patterns. A strong trend in recent years is the growth of data centres to manage data for, for example, AI and cloud services. These require large amounts of water, both directly for cooling and indirectly for energy, and have been shown to have a significant impact on water availability for local communities.

Water quality is also affected by various industrial processes, for example through the use of hazardous chemicals linked to negative consequences for both human health and biodiversity. So-called “forever chemicals” such as PFAS (per- and polyfluoroalkyl substances) have attracted particular

attention and are subject to regulatory pressure within the EU and various US states, as well as a growing number of lawsuits against both chemical companies and downstream users. PFAS is therefore also referred to as “the new asbestos.”

The consequences are that water is a scarce resource and water pollution is worsening, which in turn risks negatively impacting communities, the environment, and industries dependent on water. It is estimated that demand for freshwater will be 40 percent greater than supply by 2030. The World Resources Institute estimates that more than 30 percent of global GDP will be exposed to water shortages by 2050. Water-related risks are therefore an urgent and escalating global challenge, which can also have significant consequences for companies and investors. However, there are also clear opportunities within the water sector. According to the NGO CDP, companies that reported to them in 2024 estimate that water-related risks could amount to USD 339 billion, while the cost of addressing and mitigating these risks would



only represent about one-sixth of that amount, around USD 58 billion.

### Priorities for the Council on Ethics

The Council on Ethics has been working with the topic of Water since 2023. By participating in two investor collaborations, the Council on Ethics addresses both quantitative and qualitative factors, focusing on industries that are both dependent on and have a particularly significant impact on water.

### Progress in the focus area

2023

Start of the Council on Ethics’ involvement in the projects. The Council on Ethics and the AP Funds participate in dialogues with chemical companies.

2024

The dialogues continue. The Council on Ethics also carries out a number of knowledge-sharing activities related to water risks, and exchanges with chemicals experts.

2025

The dialogues continue. The Council on Ethics participated in World Water Week in Stockholm, including a roundtable discussion on financing resilience in water use.

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## Project: Investor Initiative on Hazardous Chemicals

### Background facts

**Region:** Global

**Topic:** Hazardous chemicals

**Number of companies:** 40

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

Since 2023, the Council on Ethics has been collaborating with other investors within the Investor Initiative on Hazardous Chemicals (IIHC). Within the framework of IIHC, dialogues are conducted with companies to increase transparency and work towards reducing the production of PFAS, so-called “forever chemicals.” By the end of 2025, more than 80 institutional investors, managing 2.3 trillion USD in assets, were participating in the project. IIHC is coordinated by ChemSec, experts on harmful chemicals. During 2025, dialogue has been held with 29 companies. The Council on Ethics and the AP Funds are participating in dialogues with six of these.

#### Project objectives

The objective of the project is to reduce the negative effects of harmful chemicals. The work in the project focuses on concrete target areas which were further developed within the following four categories during 2025:

- Increase transparency regarding the company’s exposure to harmful chemicals.
- Timeline for phasing out harmful chemicals.
- Reduce the proportion of harmful chemicals in the company’s product portfolios.
- Increase the proportion of safer alternatives to harmful chemicals.

#### Outcomes

ChemSec produces an annual ranking of the companies included in the initiative, known as [ChemScore](#). The companies are evaluated on how they work to phase out harmful chemicals and transition to safer alternatives. The ranking method was updated in 2025 to better align with the project’s target areas and reflect improvements achieved within the industry.

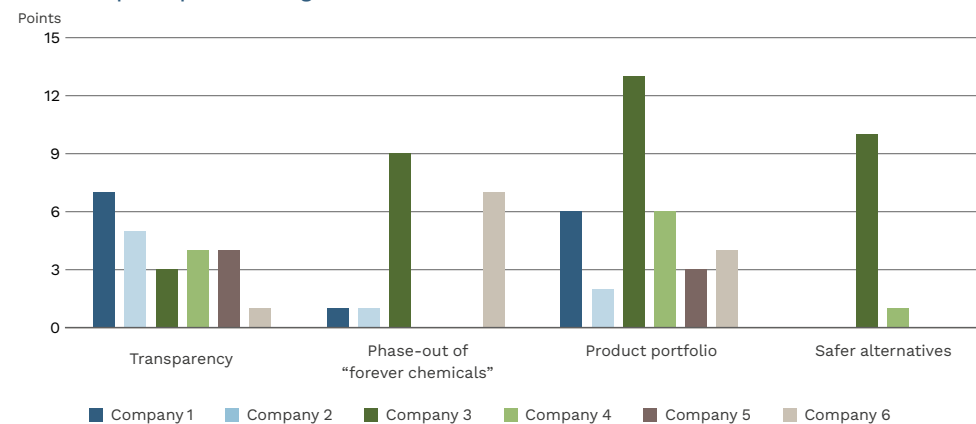
The methodological update means that the total score and the ceiling for improvement potential have been raised, so it not possible to make a full comparison with previous years’ results. However, what can be noted is that in 2025, more companies have committed not to develop new so-called substances of very high concern (SVHC) — four out of 40, compared with two out of 51 in 2024. 15 of the 40 companies reported revenues from SVHCs, compared with 11 of the 51 in the 2024 ranking.

It is encouraging that two companies – BASF and Ecolab – have committed to completely phasing out PFAS. However, only six companies currently provide comprehensive reporting on their harmful chemicals.

Most of the six companies with which the Council on Ethics and the AP Funds engage in dialogue receive low scores in the categories ‘Phasing out forever chemicals’ and ‘Safer alternatives’. The results in the categories ‘Transparency’ and ‘Product portfolio’ are somewhat better but with clear improvement potential. One company stands out with better results than the others in three categories but is assessed to have somewhat lower transparency. For each company covered by the ranking, ChemSec identifies specific action points which are followed up in the dialogue and evaluated in the following year’s ranking.



Performance development by category – Companies where the Council on Ethics and the AP Funds participate in dialogue.



#### Next steps

In 2026, the company dialogues will continue, focusing on the development areas identified in the latest evaluation.

[Read more about the Investor Initiative on Hazardous Chemicals here »](#)

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## Project: Valuing Water Finance Initiative

### Background facts

**Region:** Global

**Topic:** Responsible use of water

**Number of companies:** 71

**UN Sustainable Development Goals:**



[Read more about the goals here »](#)

In the 2023, the Council on Ethics joined the Valuing Water Finance Initiative (VWFI), a global collaboration of more than 100 institutional investors with approximately USD 18 trillion in assets under management, aimed at promoting improved water resource management. VWFI is coordinated by Ceres, a experts specialising in environmental sustainability.

71 companies in particularly water-intensive sectors are included in the initiative. Dialogue has begun with around 20 of these companies, and the Council on Ethics is participating in the dialogue with two of these.

#### Project objectives

The overarching objective of the project is to promote improvements in companies' management of water availability — particularly in regions experiencing water scarcity — as well as their impact on water quality.

The project focuses on six target areas aligned with Ceres' [Corporate Expectations for Valuing Water](#):

1. Water quantity
2. Water quality
3. Ecosystem protection
4. Access to water and sanitation
5. Board oversight
6. Public policy engagement.

Companies can achieve 15 points in each area, for a total score of 90.

#### Outcomes

Ceres publishes a [VWFI Benchmark](#) every two years to measure companies' progress towards the goals. [The latest analysis, published in November 2025](#), shows clear improvements across several target areas. The number of companies covered has decreased from 72 to 71 due to one company being split and acquired. The analysis below is based on median values to normalise results.

'Water quantity' is the area in which companies perform best in 2025. Ceres notes that several companies prioritise setting quantitative targets and indications of more ambitious goals that encompass value chains or contextual targets, together with clearer strategies and regular progress updates. However, only half of the companies address high-risk areas in their work on water quantity.

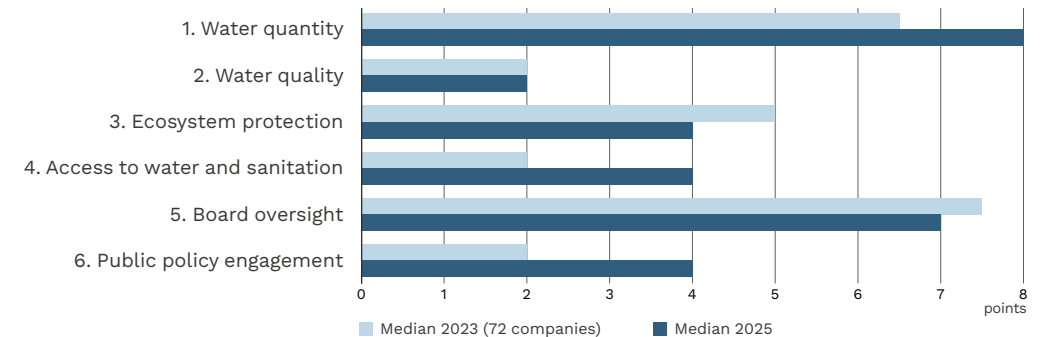
'Board oversight' is another area where companies show relatively strong performance. Ceres notes that more companies have strengthened their governance of water issues by linking incentives to water and ensuring that boards have expertise in water-related matters. However, risks and opportunities related to water are still not sufficiently integrated into business planning.

Ceres also notes progress in the area of 'Access to water and sanitation' through stakeholder dialogues as well as water, sanitation and hygiene (WASH) initiatives. Improvements are also seen in 'Public policy engagement', with more companies engaging in water issues and better alignment of lobbying activities with corporate sustainability goals.

'Water quality' remains the area where companies perform worst, with no significant improvements noted since 2023. The most



Performance development by target area, compared with 2023



significant improvement area is that companies include the value chain or contextual targets in their work on water quality.

In the area of 'Ecosystem protection', a decline is noted compared to 2023, mainly linked to a methodological change. However, Ceres observes that several companies have improved certain target areas, such as involvement in projects related to the protection and restoration of ecosystems, as well as the development of nature-related risk assessments.

#### Next steps

During 2026, corporate dialogues will continue, focusing on the development areas identified in the latest evaluation. Water quality, integration of the local context in risk assessments, and the value chain perspective will be particularly important issues in these dialogues.

[Read more about the Investor Initiative on Valuing Water Finance Initiative here »](#)

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○ Reactive work

# Engagement to address severe incidents

In its reactive work, the Council on Ethics acts on signals of severe violations in the AP Funds' portfolios. Through exerting influence on companies, encouraging them to a more systematic approach to sustainability, the Council on Ethics also acts to prevent recurrence.

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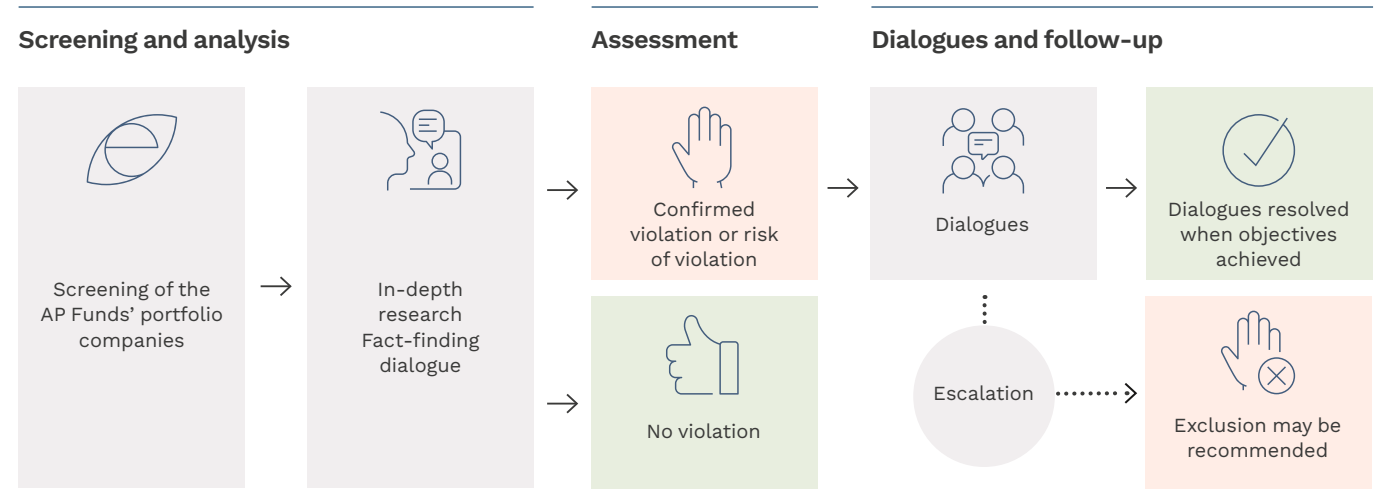
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# Reactive work – screening and engagement

The Council on Ethics' reactive work aims to identify, analyse and act on signals of violations in the AP Funds' portfolios. The objective of the reactive dialogues is that the companies take measures and prevent similar incidents from occurring in the future.



Twice a year, the Council on Ethics screens foreign companies within the AP Funds' global listed equity and credit portfolios to identify any violations of the international conventions and frameworks that Sweden supports. If a violation is identified, the Council on Ethics initiates a dialogue with the company.

The dialogues should result in the companies addressing the issues – including through remedy to those affected – and minimise the risk of them recurring. The Council on Ethics focuses on companies improving their policies, implementation and transparency.

A dialogue usually lasts for several years, as it can take time to address and mitigate incidents. If a dialogue does not lead to the outcome that the Council on Ethics considers reasonable, the Council on Ethics may recommend the AP Funds to exclude the company. However, this is a last resort that is always preceded by a systematic process of escalation in which the Council on Ethics explores further opportunities to influence the company to improve. The Council on Ethics uses service providers for both analysis and dialogue<sup>1</sup>. The Council on Ethics always makes its own assessment and, if necessary, conducts its own dialogues.

<sup>1</sup> Main service provider: Morningstar Sustainalytics

## Key concepts

### Confirmed violation

Cases are considered confirmed based on a number of criteria such as the severity of the violation, the scale and preventability, how closely the company is involved or linked to the violation, and the company's handling of the situation.

### Risk of violation

Cases that do not meet all the criteria for a confirmed violation, but where the Council on Ethics assesses the severity as high. Also includes companies which are under investigation.

### Progress

Measured in milestones: 1. Addresses the issue 2. Establishes a strategy 3. Starts implementation of the strategy 4. Demonstrates appropriate development of strategy and transparency 5. Strategy implemented and objectives of dialogue fulfilled.



### Progress during the year

Illustrated with arrows in different colours:



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# The reactive work during 2025

In the screening conducted by the Council on Ethics in September 2025 – covering more than 3,000 holdings – a total of 55 companies were identified with a confirmed violation or at risk of violation. 2,952 companies passed the screening without comment.

## Companies in dialogue

During 2025, reactive dialogues were conducted with 60 companies. Of these, dialogues with 35 companies were still ongoing as of the end of the year. The number of companies in dialogue and the number of companies identified with a violation may differ. This is explained by the conclusion of some dialogues and addition of new dialogues, as well as changes in the AP Funds' holdings during the course of the year. Examples of ongoing dialogues during 2025 can be found on pages 32–35.

Seven companies achieved the objectives set, and the dialogues were therefore resolved during 2025. Resolved dialogues are described in more detail on pages 36–39.

## Dialogues and milestones

The Council on Ethics may on occasion conduct more than one dialogue with a given company. During 2025, a total of 67 dialogues were carried out with the 60 companies. A total of 30 milestones were achieved in the dialogues which were conducted during 2025 (34 milestones in 2024). Of these, 10 milestones were achieved in the dialogues which were resolved during 2025. The statistics include all milestones achieved in all reactive dialogues conducted with companies during 2025.

60 companies in dialogue during 2025

67 dialogues ongoing during the year

7 companies have achieved the objectives and the dialogue has therefore been resolved

## Screening results

	2025	2024	2023	2022	2021
Number of screened companies in AP Funds' portfolios	3,007	3,307	3,510	3,202	3,168
Of which, with confirmed violation	6	12	18	28	23
Of which, with risk of violation	49	77	66	83	89
Of which, without comment from screening	2,952	3,218	3,426	3,091	3,056

## Changes in the number of companies in dialogue in 2025

Number of companies in dialogue, December 2024	47
Companies with resolved dialogue, with objectives achieved in the dialogue	-7
Companies with resolved dialogue, for other reasons <sup>1</sup>	-3
Companies with new dialogues initiated	6
Companies recommended for exclusion by the Council on Ethics	0
Changes in AP1-4's holdings, net number of companies	-8
<b>Number of companies in dialogue, December 2025</b>	<b>35</b>

<sup>1</sup> For example, the company has sold the business concerned.

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# Reactive dialogues about severe violations

The reactive work relates to companies involved in incidents around the world, and concerns sustainability topics such as human rights, labour rights, environment and business ethics.

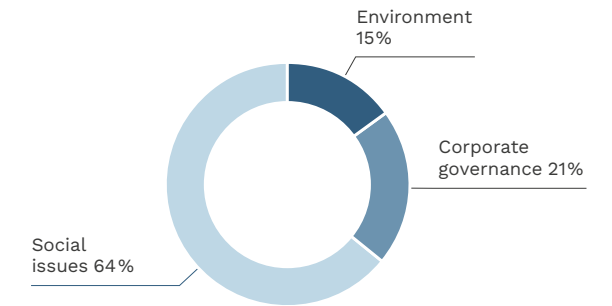
Social topics, including human rights and labour rights, is the most common sustainability area of the reactive dialogues conducted during 2025 (64 percent). For example, several dialogues during the year have addressed community relations, labour rights and consumer rights.

The regions where most incidents have occurred are North America (46 percent of all dialogues during 2025) and Asia (31 percent).

In total, just under half of all dialogues relate to incidents which have occurred in developing markets. The sector which most frequently features in the dialogues is Health care (18 percent), in connection to incidents related to anti-competitive behaviour and consumer/product safety.

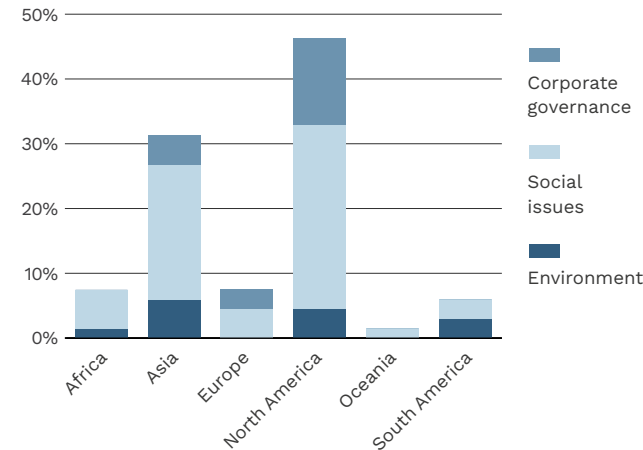
In terms of progress and outcomes of the dialogues, just under half had reached milestone 3 or 4 during 2025 – meaning that the companies have begun or demonstrated relevant progress in implementing a strategy to address the violation and mitigate recurrence. Outcomes in terms of milestones achieved in individual dialogues are presented in the table on page 31.

## Reactive dialogues, by sustainability area



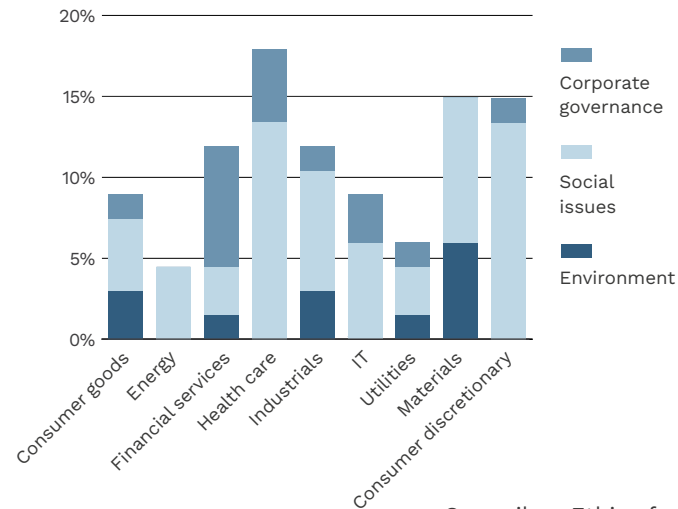
## Reactive dialogues, by region

Region and sustainability area where the incident has occurred.

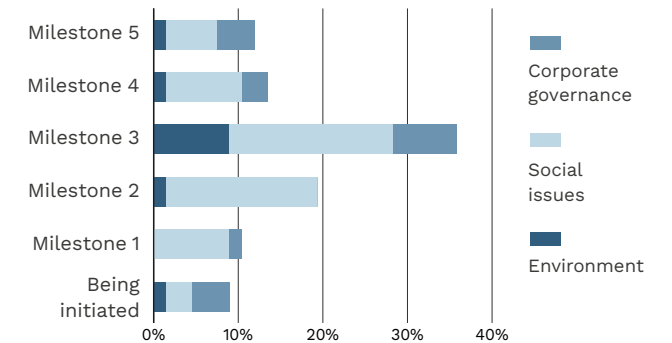


## Reactive dialogues, by sector

Sector and sustainability area that the incident relates to.



## Status in the reactive dialogues





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## Ongoing dialogue

# Dialogue with Barrick about human rights



## Background facts

**Status dialogue:** Ongoing

**Country:** Tanzania & Papua New Guinea

**Area:** Social issues

**Progress during 2025:** ▶

**Milestones achieved:**



Engagement with Barrick Mining Corp. (previously Barrick Gold Corp.) was initiated in February 2024 in response to serious human rights concerns at its North Mara mine in Tanzania and Porgera mine in Papua New Guinea (continuing a previous engagement in the latter case). These included violent conflicts between mine security and public forces personnel and trespassers as well as pollution impacts, encroachment of the mine operations on communities, and allegations concerning security guards. Barrick has taken remedial steps such as compensating victims, conducting third-party reviews, and implementing human rights training. Despite these actions, persistent allegations continue. Since the dialogue began in 2024, Barrick has collaborated with the International Code of Conduct Association (ICoCA) in North

Mara, inviting them to visit its facilities, changed its security provider and committed to publishing a standalone Human Rights Report.

## Objectives for the dialogue

The Council on Ethics seeks to ensure Barrick aligns its operations with international human rights standards, particularly the Voluntary Principles on Security and Human Rights (VPSHR). Key objectives include improving oversight of private and public security forces, ensuring accessible and trusted grievance mechanisms, and enhancing transparency in human rights risk and impact assessments. Barrick is also expected to use its influence with the Tanzanian government to promote respect for human rights by public forces.

## Outcomes

Barrick has acknowledged the challenges and taken steps to address them. It classifies North Mara as high-risk. In 2023, it completed a human rights assessment at North Mara. In 2025, the company committed to completing a Human Rights Assessment at Porgera and North Mara by an independent third-party. The company has adopted a structured approach

to identifying and mitigating risks, including hiring a new ICoCA-certified security provider and engaging with UN human rights mechanisms. However, fatalities and injuries continue to be reported, and the grievance mechanism appears underutilized. Barrick's collaboration with ICoCA yielded positive feedback, though recommendations for incremental improvements remain. The company has committed to transparency and continuous improvement, but questions persist about the practical implementation of its policies, building trust with the impacted communities and the effectiveness of its grievance mechanism.

## Next steps

The Council on Ethics will continue to monitor Barrick's human rights progress. Going forward, the dialogue will focus on the company ensuring full implementation of the Voluntary Principles on Security and Human Rights and improving transparency on grievance mechanisms and ensure they are accessible and trusted by local communities. Barrick should also publish a Human Rights Report, follow up on the Human Rights Assessment at North Mara, and implement ICoCA's recommendations.

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## Ongoing dialogue

# Dialogue with Bunge about deforestation



## Background facts

**Status dialog:** Ongoing

**Country:** Brazil

**Area:** Environment

**Progress during 2025:** ▲

**Milestones achieved:**



Bunge is a global agribusiness giant and one of the largest soy and grain processors worldwide. The company faces recurring criticism for its links to deforestation in its soy supply chain, particularly in Brazil and Bolivia. The NGO Mighty Earth has in a series of reports ranked Bunge as the company with the highest deforestation risk (including all the farms of its indirect suppliers) among industry peers operating in Brazil's Cerrado region.

## Objectives for the dialogue

The Council on Ethics' objective for the dialogue is for Bunge to stop buying soy from suppliers that are directly or indirectly involved in deforestation activities. Bunge should

implement wide-ranging measures to identify non-compliant suppliers, use the best available practices to achieve its deforestation commitments and report regularly.

The dialogue has been ongoing for several years. After a particularly challenging period in 2022–2023, the dialogue has become more substantial.

## Outcomes

While reports of links to deforestation have continued, Bunge has demonstrated improvements during the course of the dialogue. Bunge has committed to making its supply chain completely deforestation-free by 2025 for both illegal and legal deforestation, albeit with a focus on certain priority regions. However, the Council on Ethics notes that Bunge, together with peers in the industry organisation Abiove, has withdrawn from the Soy Moratorium, a voluntary commitment not to purchase soy from deforested areas which has been in place since 2006.

The company monitors 100 percent of its direct soy purchases in priority regions and reports reaching 99 percent traceability to farm level for both direct and indirect soybean sourcing in priority regions in 2024. The traceability system

and compliance is verified by independent third parties. In the most recent call in December 2025, Bunge stated that it remains on track for its 2025 deforestation-free commitment (also following the acquisition of the global agriculture company Viterra).

In 2021, the company launched the Sustainable Partnership Program to support grain resellers with their traceability and monitoring systems. Bunge also collaborates with peers through for example the Soft Commodities Forum and the Soy Sector Roadmap. Bunge has grown the number of participants in its regenerative agriculture programme in Brazil, from 250,000 to 345,000 hectares.

## Next steps

The Council on Ethics will continue to monitor progress in Bunge's efforts to address deforestation risks, including the strategy following the departure from the Soy Moratorium. The dialogue will focus on assessing the robustness of the indirect supplier traceability in the Cerrado. The Council on Ethics will also seek clarifications on the functioning and methodology of the Bunge Sustainability Partnership for tracing and monitoring indirect suppliers.

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## Ongoing dialogue

# Dialogue with LVMH about labour rights

### Background facts

**Status dialog:** Ongoing

**Country:** Italy

**Area:** Social issues

**Progress during 2025:** ▲

**Milestones achieved:**



LVMH Moët Hennessy Louis Vuitton (LVMH) is a global producer and distributor of luxury goods. The dialogue with LVMH was initiated in September 2024 following allegations of labour rights violations in the supply chain of its subsidiary, Christian Dior Italia. A Milan court placed Dior's Italian subsidiary under judicial administration for one year due to findings of labour exploitation, including undocumented workers and unsafe working conditions at a supplier factory in Italy. Although Dior was not held criminally liable, the court found that the company failed to adequately monitor its suppliers.

### Objectives for the dialogue

Through the dialogue, the Council on Ethics aims to ensure that LVMH implements a robust human rights due diligence



programme across its supply chain. This includes strengthening supplier monitoring, adopting effective grievance mechanisms accessible to workers and addressing root causes of labour rights violations. Additional goals include improving transparency, aligning policies with international standards, and ensuring that any allegations are thoroughly investigated and remediated.

### Outcomes

Since the start of the dialogue, LVMH has taken a range of measures and has already demonstrated some progress. The company has established a governance structure under its Duty of Vigilance programme, appointed a Director of Duty of Vigilance, and involved top management in oversight. It has amended its Supplier and Business Partner Codes of Conduct, though definitions of forced labour remain narrower than international standards. Auditing systems have been strengthened, and the company collaborates with government authorities in Italy.

In 2025, the Milan court announced an early termination of the special administration regime. Dior committed EUR 2 million to support victims of forced labour. Meanwhile,

another subsidiary, Loro Piana, identified substandard labour practices at one of its suppliers and proactively reported the issue to the Italian authorities. Although the Milan court placed the company under a one-year special administration regime, the case demonstrated LVMH's efforts to strengthen its monitoring systems and improve transparency within the Group.

### Next steps

The Council on Ethics will continue to monitor LVMH's progress in addressing labour rights risks in its supply chains, focusing on risk assessment, preventative measures, and the development of effective monitoring systems. The dialogue will also focus on assessing grievance mechanisms, policy alignment, and the company's ability to remediate violations. In addition, the dialogue will seek to increase transparency around responsible purchasing practices, and the effectiveness of grievance mechanisms.

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## Ongoing dialogue

# Dialogue with Toyota Motor about business ethics

## Background facts

**Status dialog:** Ongoing

**Country:** Japan

**Area:** Corporate governance

**Progress during 2025:** ▲

**Milestones achieved:**



The dialogue with Toyota Motor began in November 2022 following serious misconduct involving its subsidiaries Hino Motors and Daihatsu. These included falsified emissions data, certification irregularities, and engine testing violations, affecting hundreds of thousands of vehicles. Regulatory bodies revoked approvals and halted production. Toyota acknowledged the issues and was committed to supporting structural reforms and cultural change within the company and its subsidiaries.



## Objectives for the dialogue

The objectives of the dialogue is to ensure that Toyota strengthens its subsidiary governance, implements robust risk and compliance frameworks, and improves transparency. The company should also explore mitigation for excess emissions and demonstrate how cultural reforms are being embedded across its operations.

## Outcomes

Toyota has shown openness to dialogue, and providing insight into its governance structure. It clarified that subsidiaries operate independently, with oversight exercised through delegated authority. Toyota conducts internal audits and briefings for appointed officers at its subsidiaries to reinforce governance practices.

In April 2024, Toyota announced major changes at Daihatsu, including the abolishment of the chairman role and the appointment of a new president to lead reforms. A Govern-

ance Risk and Compliance Committee was established to strengthen its Three Lines of Defence model. Toyota also updated its Code of Conduct in October 2023, reinforcing commitments to safety, legal compliance, and ethical conduct.

Toyota has committed to supporting Hino and Daihatsu in remediation efforts. Leadership has acknowledged the seriousness of the misconduct and emphasized the need for a healthier corporate culture. Toyota's CEO and subsidiary leaders have publicly expressed regret and outlined steps to rebuild trust and prevent recurrence.

## Next steps

The Council on Ethics will continue the dialogue with Toyota to assess the effectiveness of its reforms. Focus areas include how governance improvements are being implemented, how cultural change is being measured, and how ESG performance is integrated into oversight and accountability mechanisms.

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## Resolved dialogue

# Dialogue with FirstEnergy about bribery and corruption

### Background facts

**Country:** USA

**Area:**

Corporate governance

**Progress during 2025:**



**Milestones achieved:**



The dialogue with FirstEnergy Corp. was initiated in November 2021 because of the company's involvement in a bribery and corruption scandal involving civil servants in the USA. The conclusion of legal proceedings resulted in heavy fines for the company.

The objectives of the Council on Ethics have been that the company takes measures to ensure that its anti-bribery and corruption management systems are strengthened. This would also include anti-bribery staff training and the establishment of an effective grievance and whistleblower system. Furthermore, not only does the company need to fulfil all the requirements arising from legal action but also demonstrate transparency and integrity in its lobbying activities.

### Outcomes

FirstEnergy has taken meaningful steps to develop and deliver an ethical business culture. In conjunction with significant leadership change and a new "speak up" initiative, FirstEnergy believes it is managing a culture transformation which should prevent future occurrences of similar incidents. A new Code of Conduct has been developed, with investments in culture champions to support delivery of the policy. Staff training, including anti bribery and corruption, is ongoing. The amount being paid in short-term incentive plans is being influenced by the output of the management of personnel responsibilities and compliance. The company has introduced a new grievance mechanism and whistle blower contact line, which is fully third party operated and has follow-up procedures, using the consultancy Ethisphere to further promote ethical corporate culture. FirstEnergy is publicly declaring all lobbying activity and publishing details of any political donations.

Based on the strengthening of the company's anti-bribery and corruption management systems, the Council on Ethics considers that the objectives of the dialogue have been met. The dialogue is therefore resolved.

## Resolved dialogue

# Dialogue with McKesson about consumer interests

### Background facts

**Country:** USA

**Area:**

Social issues

**Progress during 2025:**



**Milestones achieved:**



McKesson Corporation is one of the largest opioid distributors in the USA. The dialogue with the company commenced in February 2020, following allegations that it had contributed to widespread opioid addiction in the USA by failing to report on excessive opioid orders, resulting in large fines and the intervention of the US Department of Justice (DoJ). The company has entered into several settlements with the DoJ and individual US states, amounting to several billion dollars.

The objectives of the Council on Ethics' dialogue have been that McKesson should implement enhancements to its drug 'anti-diversion' systems to better monitor drug orders. Furthermore, the company should disclose how it has implemented the preventative measures required by the US regulators.

### Outcomes

McKesson has collaborated with the inde-

pendent monitor overseeing the settlement implementation and taken several measures to strengthen its compliance framework. For example, McKesson has updated its code of conduct, embedding the I<sup>2</sup>CARE and ILEAD ethical business programmes that it has initiated. The company has also enhanced its Controlled Substances Monitoring Program with stronger governance structures, rigorous customer due diligence, advanced analytics and suspicious order reporting, as well as comprehensive employee training. McKesson conducts quarterly staff reviews and an annual deep-dive following the completion of an employee survey, and has linked staff remuneration to performance against four 'ethical' pillars. A newly formed compliance and ethics organisation – headed by a Chief Compliance Officer – is responsible for the governance, which is overseen by an independent auditor who submits an annual reports to the Federal Drug Administration.

Based on the measures taken by McKesson to strengthen its governance, oversight and cultural alignment, the Council on Ethics considers that the objectives of the dialogue have been met. The dialogue has therefore been resolved.

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## Resolved dialogue

# Dialogue with Medtronic about product safety

### Background facts

**Country:** USA

**Area:**  
Social issues

**Progress during 2025:**



**Milestones achieved:**



Medtronic Plc/Inc/Global SA is a leading developer and manufacturer of medical devices. The dialogue with the company commenced in May 2022 because of a number of serious health impacts brought by failing insulin pumps and heart pump implants (HVAD System). Between 2019 and 2022, the company issued 31 Class I recalls for products associated with 23 patient deaths and over 2,000 injuries. The company has also received warnings and notifications from the US Food and Drug Administration.

The objectives of the Council on Ethics' dialogue have been for the company to provide remediation or compensation to the affected users, alongside a full review of its quality control and management system aimed at reducing the number of product recalls, all in line with international best practice and standards.

### Outcomes

During the course of the engagement, Medtronic has implemented significant improvements which demonstrate progress in preventing recurrence of past issues. These include a strengthened quality management system, ISO 13485 accreditation across multiple organisational entities and enhanced oversight by the Board as well as with an independent compliance team to monitor delivery. The company has appointed a Chief Quality Officer who has created an Enterprise Medical Quality Group, made up in part of clinical practitioners. Medtronic has also taken measures to ensure a robust quality culture within the company, through initiatives such as the "Put Patients First" programme. The code of conduct has also been strengthened with training, links quality has been added to remuneration, and a new internal website has been created for employees to access resources on quality aspects including playbooks, key performance indicators, and training.

Based on the improvements in quality management and a notable reduction of recalls, the Council on Ethics considers that the objectives of the dialogue have been met. The dialogue has therefore been resolved.

## Resolved dialogue

# Dialogue with Samsung C & T about accounting and taxation

### Background facts

**Country:** South Korea

**Area:**  
Corporate governance

**Progress during 2025:**



**Milestones achieved:**



The dialogue with Samsung C & T began in November 2020 because of the indictment of several Samsung executives including the Chairman of the Samsung Group, accused of fraud and stock price manipulation. The objectives of the Council on Ethics have been that the company review and strengthen its existing controls to deliver responsible business, with a particular focus on corporate governance. It should operate in a culture of integrity.

### Outcomes

Samsung C & T, following the replacement of the Board and Chairman, established an audit committee and compliance officer, who has direct access to the new Board, by-passing the CEO, if necessary. The executive also established a compliance academy to support the roll out of a refreshed compliance risk management system and have had

their remuneration linked to the delivery of an ethical and compliant business.

Employees have been trained in the requirements of a strengthened compliance code and guide as well as access to a new ethics hotline and whistleblowing system. The company also recognises employees that uphold ethical standards through a reward system, concurrently implementing a consequence management system for those identified as being non-compliant.

Based on the delivery of meaningful aspects to ensure a responsible business, the Council on Ethics considers that the objectives of the dialogue have been met. The dialogue is therefore resolved.

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Resolved dialogue

# Dialogue with Samsung Electronics about bribery and corruption

## Background facts

**Country:** South Korea  
**Area:** Corporate governance

**Progress during 2025:** ▲

**Milestones achieved:** ●●●●●

The dialogue with Samsung Electronics began in March 2017 following the arrest and imprisonment of Lee Jae Yong, vice chairman of Samsung Electronics and the de facto leader of Samsung Group, on charges of corruption. The objectives of the Council on Ethics have been that the company should adopt policies that control political, charitable contributions, facilitation payments, gifts and travel expenses, with robust oversight of the implementation of these policies. Furthermore, the Council on Ethics' objectives required an increase in the number of independent members of both the Board and the audit committee.

## Outcomes

Samsung Electronics has strengthened its policy framework on anti-corruption with the development of a policy explicitly forbidding facilitation payments by directors. Governance and oversight are provided by the Board audit committee with the compliance committee being external and independent. Evaluation of the effectiveness of the executive has seen an increased weighting towards the delivery of anti-corruption measures. Compliance is monitored and assured through a compliance programme management system, supported with extensive training and a refreshed whistleblower system. Audits are performed annually by a third party, further assuring independent oversight.

Based on the delivery of meaningful aspects to ensure responsible business practices the Council on Ethics considers that the objectives of the dialogue have been met. The dialogue is therefore resolved.

Resolved dialogue

# Dialogue with SD Guthrie about forced labour

## Background facts

**Country:** Malaysia  
**Area:** Social issues

**Progress during 2025:** ▲

**Milestones achieved:** ●●●●●

SD Guthrie (formerly Sime Darby Plantation) is a palm oil plantation company with concessions in South East Asia. The dialogue with the company was initiated in February 2021 due to a US Customs and Border Protection (CBP) import ban imposed as a consequence of allegations of forced labour in the company's operations in Malaysia.

The objectives of the Council on Ethics' dialogue have been that SD Guthrie should take steps to address and mitigate indicators and instances of forced labour. It should also provide transparency into steps and processes that it will enact to ensure that commitments to respect labour rights are implemented.

## Outcomes

During the course of the dialogue SD Guthrie has initiated a comprehensive

reform programme, including third-party audits which have been submitted to the CBP which lifted the ban in 2023. The company has also committed to reimbursing RM82.02 million in recruitment fees to both current and former workers. The reimbursement process was finalised by 2024.

As part of the programme, SD Guthrie has implemented significant policy reforms such as by introducing a zero-recruitment fee policy and a Responsible Recruitment Procedure. The grievance mechanisms used by workers have been enhanced with a help-line operated by a third party. Training and awareness efforts have been scaled up, with over 170,000 hours of training delivered in 2023 alone. The company also conducts regular labour rights assessments across its operations. SD Guthrie has also strengthened governance structures through the introduction of an ESG scorecard, new hires in social welfare and sustainability roles, and active oversight by the Board Sustainability Committee.

Based on these improvements, the Council on Ethics considers that the objectives of the dialogue have been met. The dialogue has therefore been resolved.

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## Resolved dialogue

# Dialogue with UPL about environmental pollution

### Background facts

**Country:** South Africa

**Area:**  
Environment

**Progress during 2025:**



**Milestones achieved:**



The dialogue with UPL Ltd was initiated in January 2022 because of the environmental and social impacts arising from a fire causing the release of hazardous chemicals at the UPL agrochemical storage facility in Cornubia, South Africa.

The objectives of the Council on Ethics have been that UPL takes action to remove the risks associated with the contaminated land and water. Focusing on its operations a requirement has been that the company reviews the adequacy of its hazardous chemical storage facilities and ensures an appropriate level of commitment to the safety of the workforce, local populations and the environment. On a policy level the requirement has been that the company should align itself with international best practice and at minimum national legislative requirements.

### Outcomes

UPL has remediated (cleaned up) all but a small volume of the contamination and is awaiting confirmation from the regulator that risks are no longer detected. There are no incidences of on-going health issues. Monitoring of biodiversity confirms that there is no long-term negative impact. On an operational level the company reports that it has International Standards Organisation (ISO) environmental management systems 14001 for all its locations, and health and safety systems 45001 for 92 percent of these locations. Furthermore, following the fire it has completed an internal health and safety review for all facilities across the globe, with on-going external audited safety audits annually. After the fire the company used an external consultant to review and offer recommendations for strengthening its crisis management plan.

Based on the company's remediation actions, mitigation and the removal of risks to the environment and society alongside the strengthening of the company's corporate response to storage of hazardous chemicals the Council on Ethics considers that the objectives of the dialogue have been met. The dialogue is therefore resolved.



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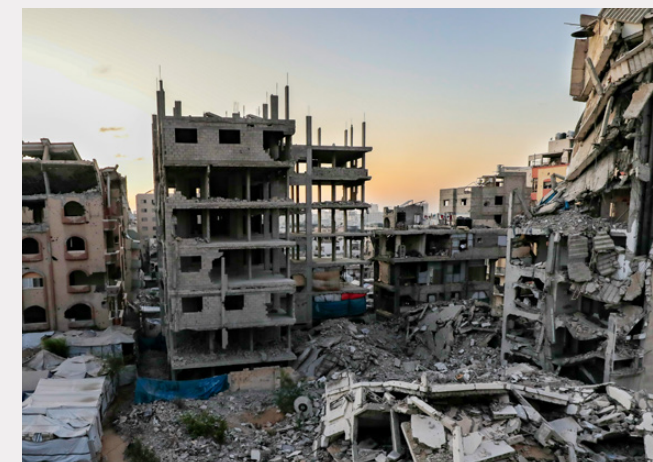
# Extensive conflict-related work in a world in turmoil

Through the Council on Ethics, the AP Funds maintain a joint position statement with clear expectations on companies with connections to conflict-affected areas. The Council on Ethics has a structured approach consisting of assessments of corporate involvement, dialogue with selected companies and the possibility to recommend other measures.

Conflict-affected and high-risk areas (CAHRAs) carry a greater risk of serious human rights violations and crimes against the laws of war. Companies whose operations can be linked to these types of areas therefore have a particular responsibility to ensure that their activities comply with international humanitarian law. The AP Funds expect these companies to apply heightened Human Rights Due Diligence (hHRDD), in line with international frameworks and guidelines.

Not acting in line with international law or international frameworks may serve as grounds for the Council on Ethics' recommendation to exclude a company— but the scope of the Council on Ethics' work extends far beyond this. It includes continuous monitoring, analysis, and assessments of company involvement and responsibility, as well as dialogue.

The work is carried out independently by the Council on Ethics within the framework of the reactive work. It is characterised by a complex and dynamic context, with information often limited in availability and reliability. The heightened global conflict situation, combined with companies' often global value chains and business relationships, has in 2025 resulted in a large number of companies being analysed and assessed, as well as dialogues with selected companies, in addition to the statistics presented on pages 29–39.



## Key activities

The Council on Ethics has taken several measures during 2025 to strengthen its work related to conflict-affected and high-risk areas.

### ● Updated position statement

The [position statement](#) on conflict-affected and high-risk areas has been updated to more clearly express the AP Funds' expectations of companies in line with prevailing frameworks.

### ● Additional sources

During ongoing conflicts, it has been important to bring in additional and more in-depth sources.

### ● Extensive company analysis

A heightened global conflict situation, combined with companies' often global value chains and business relationships, has resulted in a substantial volume of signals for the Council on Ethics to review and assess.

### ● Conflict-focused dialogues

Throughout the year, the Council on Ethics has conducted a series of dialogues with companies, both to follow up on their risk management, verify facts, and to convey the

AP Funds' expectations of companies operating in conflict-affected and high-risk areas.

### ● Guidance on specific conflicts

In addition to company assessments, the Council on Ethics conducts ongoing conflict analysis, which serves as the basis for conflict-specific guidance provided to the AP Funds.

### ● Continued collaboration with AP7

During 2025, the Council on Ethics has continued its collaboration with the Seventh AP Fund, for example in information gathering and company dialogues. This collaboration ensures resource efficiency and provides an opportunity to exert influence with a stronger voice, even though the work may result in different assessments and actions.

### ● Ongoing in-depth analysis

Assessments under these types of circumstances require continuous in-depth analysis. For example, an ongoing project focuses on technology components and software used in conflict contexts — an area with rapid and dynamic technological developments.

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○ Governance and history of the Council on Ethics

# The Council on Ethics is an essential part of the AP Funds' sustainability strategies

The Council on Ethics was founded in 2007 by the First, Second, Third and Fourth AP Funds. The role of the Council on Ethics is to encourage companies to make improvements in sustainability and to support the AP Funds in complex sustainability areas. Thereby, the Council on Ethics forms an essential part of the AP Funds' sustainability strategies and their mission related to responsible ownership. The Council on Ethics is governed by a Board consisting of a representative from each AP Fund.

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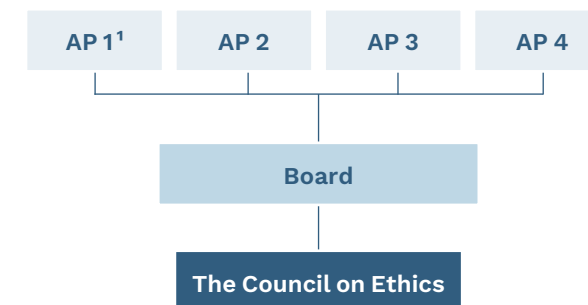
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# Governance and organisation of the Council on Ethics

The Council on Ethics consists of three employees and is governed by a Board with a representative from each AP Fund. The responsibility for chairing the Board rotates between the AP Funds on an annual basis. The Board maintains a systematic process for an annual evaluation of the Council on Ethics. The Council on Ethics is also included in the government evaluation of the AP Funds.



<sup>1</sup> The operations of the First AP Fund ceased at the end of 2025 following a decision by the Riksdag, and the assets were transferred to the Third and Fourth AP Funds. This decision does not impact the mission, direction or resources of the Council on Ethics.

## Board



### Magdalena Håkansson

Member of the Board since 2019. Head of Sustainability AP1. Magdalena leads the work related to responsible investment and stewardship at AP1. Magdalena has extensive experience from the finance sector, of which the last 15 years with focus on sustainability.



### Lina Sandström

Member since 2025. Sustainability Specialist. Lina is leading and developing AP2's work on human rights. Lina has 10 years of experience working with the integration of sustainability issues into investment processes, from analysis to investment and active ownership.



### Fredric Nyström

Chair of the Board 2025, member since 2023. Head of Sustainability and Governance AP3. Fredric is responsible for the integration of sustainability in AP3's investment processes as well as the fund's stewardship activities. Fredric has worked with sustainability and finance for 20 years.



### Pia Axelsson

Member of the Board since 2012. Senior Governance and Sustainability Analyst AP4. Pia focuses on global listed companies. Pia has extensive experience of governance, communication and finance, among other as a portfolio manager.



### Jenny Gustafsson

Executive Director, started 2023. Jenny is responsible for the management of the Council on Ethics, and also actively participates in dialogues and projects. Jenny has extensive experience of management roles within responsible investment.



### Alexander Elving

Engagement Director, started 2024. Alexander conducts reactive dialogues and is responsible for the focus areas related to climate transition and antimicrobial resistance. Alexander has previous experience from different roles in responsible investment and active ownership.



### Anna Warberg

Engagement Director, started 2024. Anna conducts reactive dialogues and is responsible for the focus areas related to child and forced labour, tech companies and human rights, as well as water. Anna has a background in responsible business conduct and labour rights.

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# The AP Funds – part of the income pension system

The Council on Ethics was founded in 2007 by the First, Second, Third and Fourth AP Funds. The role of the Council on Ethics is to encourage companies to make improvements in sustainability and to support the AP Funds in complex sustainability areas. Thereby, the Council on Ethics forms an essential part of the AP Funds' sustainability strategies and their mission related to responsible ownership.

The AP Funds contribute to a strong Swedish income pension system by managing the public pension buffer capital. Withdrawals are made from the buffer capital to cover any deficits in pension payments, which may arise, for example, if demographic differences arise, or if there is weak economic growth. The pension system is designed to handle such situations; it is why the buffer capital system exists. Through long-term asset management, the AP Funds should ensure that the value of the buffer capital grows. This contributes to a stable pension system and to safeguard pension payments over time for current and future generations.

## Mandate from the Riksdag

The AP Funds' mandate from the Riksdag (the Swedish Parliament) is to generate high returns at low risk for current and future pensioners and at the same time help ensure the stability of the pension system. On 1 Jan-

uary 2019, the rules in the Swedish National Pension Funds (AP Funds) Act were amended. A new objective that the AP Funds should contribute to sustainable development by managing their assets in an exemplary manner was introduced. This should be achieved through responsible investment and responsible ownership, without the AP Funds compromising on the objective of high returns.

The pension system's buffer capital has been well managed by the AP Funds over time, with good value growth and is currently accounting for a significant share of the pension system's assets. Several AP Funds with the same mandate – to manage their share of the buffer capital – helps spread the risks in the pension system and encourages the AP Funds to positive competition and development. As a consequence the AP Funds are viewed as international leaders in asset management and stewardship. The management of the AP Funds is assessed

annually by external auditors and is also subject to a government evaluation. An audit report is published annually and presented to the Riksdag.

The First AP Fund ceased its operations at the end of 2025 following a decision by the Riksdag, and its assets were divided evenly between the Third and Fourth AP Funds. This decision does not impact the mission or resources of the Council on Ethics.

## The pension system

The income pension scheme is a redistribution system where the contributions from those currently in employment are used to pay pensions to current pensioners. Those who work and pay taxes make an automatic pension contribution of 18.5 percent, of which 16 percent goes to the income pension system and 2.5 percent to the premium pension. Today's pension system has worked as intended since its launch in 2001. Deficits

occur in times of high numbers of retirements. Low unemployment, a high birth rate, labour migration and Sweden's socio-economic development are important factors impacting the growth of pensions over time.

## Mandate of the Council on Ethics

The Council on Ethics was founded in 2007 by the First, Second, Third and Fourth Swedish National Pension Funds (AP Funds). The role of the Council on Ethics is to encourage companies to make improvements in sustainability and to support the AP Funds in complex sustainability areas. Thereby, the Council on Ethics forms an essential part of the AP Funds' sustainability strategy and their mission related to responsible ownership.

To find out more about the system, visit the Swedish Pensions Agency website [Swedish Pensions Agency website](#) »



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# History of the Council on Ethics

2007

The Council on Ethics is established and its first report is published. Dialogue is conducted with 14 companies. One company can already be removed from the dialogue list in the first year because the objectives of the dialogue have been achieved. The Council on Ethics travels to China to learn more about companies' approach to social responsibility and sends a clear message: there are foreign investors willing to take their responsibility as owners.

2011

The Council on Ethics expands the scope of its work by carrying out its first proactive project, focused on the mining industry. The goal of the proactive work is to encourage companies to work towards adopting best practices in challenging sustainability areas. When the project is reviewed in 2014, the Council on Ethics notes general improvements in all of the areas discussed with the companies.

2013

The Council on Ethics arranges a seminar about financing the transition to a low carbon society. Politicians, stakeholder organisations and investors participate. The telecommunications sector is in the spotlight in one of the Council on Ethics' proactive initiatives.

2015

The Council on Ethics hosts a Nordic seminar about the UN Guiding Principles on Business and Human Rights (UNGPs), also known as the Ruggie Principles. The aim is to inspire Nordic companies to implement the principles and report in line with them.

2017

The Council on Ethics celebrates its ten-year anniversary by organising two seminars on responsible and sustainable investment, with a focus on climate change, human rights and the environment. Al Gore and Johan Rockström participate in one of the seminars.

2018

The Council on Ethics recommends the AP Funds to exclude three cannabis companies, as they are assessed to be in breach of the UN conventions on narcotics since they manufacture and/or market cannabis-based products for non-medicinal use. The Council on Ethics decides to focus its proactive work on four sustainability areas: climate and the environment, human rights and business ethics.

2019

The mining company Vale's tailings dam, in Brumadinho, Brazil, collapses with catastrophic consequences. The Council on Ethics is already engaged in an ongoing dialogue with the company following a similar accident two years earlier. The Council on Ethics recommends the AP Funds to exclude Vale. Shortly thereafter, the Church of England Pensions Board and the Council on Ethics initiate a major joint project to ensure that mining companies globally take responsibility for their tailings dams.

2020

The work focused on enhanced safety for tailings dams results in the creation of a public global database with information about more than 1,800 tailing dams, and in the establishment of the Global Industry Standard on Tailings Management. The Mining and Tailing Dam Safety Initiative wins the PRI Stewardship Project of the Year Award. The Council on Ethics also publishes an expectations document related to human rights and the tech sector, in collaboration with the Danish Institute for Human Rights.

2022

The AP Funds complete a review of the Council on Ethics' mandate, strategy and organisation, concluding that the Council on Ethics remains an important body for collaboration between the AP Funds and an essential part of the AP Funds' joint sustainability work. The Council on Ethics launched a new proactive international collaboration to positively influence the human rights practices of major tech companies. Two proactive projects, which are considered to have achieved their objectives with good effect, were concluded during the year.

2023

The Executive Director of the Council on Ethics takes up her post and by the end of the year two sustainability specialists have been recruited. The AP Funds and the Council on Ethics carry out a materiality analysis and identify five new focus areas for proactive work: Antimicrobial resistance (AMR), Child and forced labour, Climate change, Tech companies and human rights, and Water. Five new proactive projects are launched in these five focus areas.

2024

Work in the five focus areas is further developed, including through a new international initiative focused on the demand for green steel and a collaboration aimed at raising awareness about the systemic risk of AMR. Two proactive projects are successfully concluded during 2024. In total, the Council on Ethics engages with 174 companies – both in proactive and reactive dialogues.

2025

A significant part of the reactive work concerns conflicts. The Council on Ethics updates the AP Funds' joint position statement, supplements sources, conducts in-depth analysis, and engages in company dialogues. The proactive projects continue to progress. The Council on Ethics carries out an in-depth study on the risks of child labour and forced labour in global supply chains, and follows up on a previous project addressing child labour in the cocoa industry.



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