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| **Memorandum**  |  |
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| 29 April 2016 |
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| **Ministry of Enterprise and** **Innovation** |
| Division for Corporate Governance and Analysis |
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Response to Working Group survey on implementation of the Guiding Principles – Business enterprises owned or controlled by the State

**Introduction**

The Swedish Government believes that business and respect for human rights should go hand in hand and must be part of an active corporate social responsibility (CSR) policy. The Government has therefore drawn up a national action plan for business and human rights.

The national action plan aims to translate the UN Guiding Principles into practical action at national level.

Business enterprises appear to have a greater awareness of their responsibility to respect human rights and of the role this plays in creating value and building business competitiveness. The Government’s ambition is to assist enterprises in their efforts in this area.

The Swedish national action plan on business and human rights is also an important part of the Government’s heightened ambitions for foreign trade, through the export strategy, CSR and other areas. It is an equally important part of the Government’s relaunch of its Policy for Global Development and its efforts to contribute to the new global sustainable development goals (SDGs).

The action plan has been developed by the Government Offices in consultation with various stakeholders. A draft has been published for public comment on the Government Offices website. The draft has also been the subject of four public consultation meetings in which more than 100 different companies, government agencies, trade unions, NGOs and other stakeholders took part.

**Does the Government have policies and/or regulations and/or guidance in place that address the need for enterprises that are owned or controlled by the State to implement respect for human rights throughout their operations?**

Yes, the UN Guiding Principles on Business and Human Rights are fundamental to the corporate governance of state-owned enterprises and according to the government’s state ownership policy, state-owned companies must seek to comply with international guidelines such as the UN Guiding Principles. They must also be transparent and report in accordance with the reporting guidelines from the Global Reporting Initiative (GRI). A sustainability report in accordance with the GRI guidelines includes for example transparent reporting of the risks and opportunities in respect of sustainability issues, particularly such non-financial risks and opportunities required in order to understand the company’s development, results and position. The sustainability report must be quality assured by independent review and assurance. For the full text of the ownership policy, please see pages 122-126 in the Annual Report state-owned companies:

<http://www.government.se/contentassets/0126b664c843479d8696d1be546fe4b6/annual-report-state-owned-companies-2014>

* State-owned companies must also identify areas of sustainable business that are relevant to their business strategy and the board of directors must set strategic sustainability targets. The ownership policy applies in companies where the State is the majority owner; in other companies, where the State is part-owner, the State seeks to ensure that the ownership policy is followed, in dialogue with other owners.
* The Government has held seminars for the chairs of boards and managing directors of all state-owned companies on the Government’s expectations regarding the companies ’application of the UN Guiding Principles on Business and Human Rights. A study was carried out in 2013 on the international guidelines from the UN and the OECD, aimed at facilitating companies’ application of the state ownership policy.
* A network for sustainable business has been established for the discussion of relevant issues and to allow companies to exchange knowledge and experience. The international guidelines with which the companies are expected to comply were discussed at one of the network meetings. The Government Offices corporate management organisation has also held a series of workshops for the companies on the UN Guiding Principles on Business and Human Rights, the RAFI reporting framework and on whistle blowing function. This series of workshops concluded in April 2016 with a thematic workshop on due diligence.
* A business analysis tool that sheds light on relevant areas of sustainable business, including human rights, has been developed for state-owned companies by the Government Offices corporate management organisation. The analysis increases the owner’s awareness of the companies’ risks and opportunities and how these are managed. The result of the analysis is integrated in corporate governance and taken into account in the Government’s regular dialogue with the company, in monitoring the company’s development, and in the recruitment and nomination of board members.
* Like other state-owned companies, Swedfund International AB (Swedfund) and the Swedish Export Credit Corporation (SEK) are required to comply with the government state ownership policy, as described above. Moreover, Swedfund and SEK have public policy assignments specially adopted by the Riksdag. Swedfund is required to ensure that its investments comply with international standards and sustainable business principles, within clear and sound corporate structures that do not contribute to tax evasion, money laundering or terrorist financing. SEK is required to take account of conditions such as the environment, corruption, human rights and working conditions in its credit assessments.

**If yes, do these include:**

1. **Requirements or expectations for State-owned enterprises to undertake human rights due diligence?**

According to the government state ownership policy, state-owned companies must seek to comply with international guidelines such as the UN Guiding Principles on Business and Human Rights.

In the Swedish national action plan it is stated that sustainable business will continue to be an integral part of the Government’s active corporate governance of state-owned companies. The human rights work undertaken by state-owned companies will be examined in relevant cases in the sustainability analysis and followed up in stakeholder dialogues between representatives of the owner and the companies.

It is further stated that the Swedish Government will work to increase knowledge about the UN Guiding Principles on Business and Human Rights in state-owned companies and will ensure that these companies, where appropriate, conduct human rights due diligence in order to assess and address any significant risk to human rights.

1. **Provisions for human rights due diligence relating to activities in other countries/abroad?**

According to the government state ownership policy, state-owned companies must seek to comply with international guidelines such as the UN Guiding Principles on Business and Human Rights. They must also be transparent and report in accordance with the Global Reporting Initiative (GRI).

In the Swedish national action plan it is stated that the Swedish Government will work to increase knowledge about the UN Guiding Principles on Business and Human Rights in state-owned companies and will ensure that these companies, where appropriate, conduct human rights due diligence in order to assess and address any significant risk to human rights.

1. **Requirements to report on human rights risks and/or impacts, and if so on what issues?**

According to the government state ownership policy, state-owned companies must seek to comply with international guidelines such as the UN Guiding Principles on Business and Human Rights. They must also be transparent and report in accordance with the Global Reporting Initiative (GRI). A sustainability report in accordance with the GRI guidelines includes for example transparent reporting of the risks and opportunities in respect of sustainability issues, particularly such non-financial risks and opportunities required in order to understand the company’s development, results and position. The sustainability report must be quality assured by independent review and assurance.

**In addition to these, having now started research on the report, we would appreciate more specific information on whether the State has:**

1. **any specific agency or mechanism that is set up to regulate, manage or have oversight of State-owned enterprises**

State-owned companies are ultimately owned by the people of Sweden. On assignment from the Riksdag, the Government is required to actively manage the state’s holdings in companies in order to ensure the best possible value performance and – where applicable – to ensure that specifically adopted public policy assignments are performed favourably. The Government considers it to be of the utmost importance that state-owned companies are proactively and professionally managed with value generation as an overriding objective. This implies that state-owned companies should act as long-term approach, be efficient and profitable, while being given the capacity to develop. State-owned companies should serve as role models in the area of sustainable business and, in other respects, conduct themselves in a manner that generates public confidence.

The state-ownership policy constitutes a key document in clarifying the manner in which the Government considers that this should occur. In its ownership policy, the Government presents its mandates and objectives, applicable frameworks and position on key fundamental issues relating to the governance of the state-owned companies. The state-ownership policy includes the Government’s guidelines for external reporting and guidelines for terms of employment for senior executives. The state-ownership policy also requires that the Swedish Code of Corporate Governance be applied. The state-ownership policy is applied in majority-owned state-owned companies. In respect of other companies in which the state is a part owner, the state engages in a dialogue with the other owners in an effort to ensure that the ownership policy is applied. Correspondingly, companies administered by public authorities other than the Government Offices shall apply the state’s ownership policy.

The Minister for Enterprise and Innovation is responsible for a unified overarching ownership policy with regard to the state-owned companies, and is the minister responsible for most of the companies. Accordingly, the Ministry of Enterprise and Innovation has an organisation specialised in corporate governance and investment management, which is organizationally separate from the Government Offices’ market-regulating operations and which focuses on generating value in the companies. This organisation, which operates within the Departement for Innovation and State-owned Companies, is responsible for the development and governance of 41 of a total of 49 state-owned companies that are managed by the Government Offices, and is divided into two divisions working in close cooperation. The Division for State-owned Enterprises employs investment directors who work on the company boards, coordinate ongoing contacts with the companies and lead the organisation’s ongoing work with the holdings. The division also includes a function responsible for communications and investor relations, including financial information and stakeholder dialogue. The Division for Corporate Governance and Analysis is responsible for company analysis, sustainable business, business law, board recruitment and overarching corporate governance documents, such as the State’s Ownership Policy, as well as work on and monitoring of financial targets and public policy targets. For a small number of state-owned companies, responsibility for administration lies with other parts of the Government Offices: the Ministry of Finance, the Ministry of Culture, the Ministry of Health and Social Affairs, the Ministry of Education and Research and the Ministry for Foreign Affairs. The Government’s principles for active ownership and corporate governance also encompass these companies.

In the investment teams for company holdings, specialists in the area of sustainable business work together with the other members of the investment teams on, for example, the monitoring of the companies’ sustainability targets and work on sustainable business. In 2014, the process for evaluating the companies’ work with sustainable business continued to be developed and integrated into both the development of new financial targets and the overall evaluation of the companies.

For the full text of the Government’s mandate, principles and ownership organization please see pages 11-15 and 122-126 in the Annual Report state-owned companies:

<http://www.government.se/contentassets/0126b664c843479d8696d1be546fe4b6/annual-report-state-owned-companies-2014>

1. **If so, what is the mandate of such agency or mechanism, and does it explicitly cover human rights?**

According to the government state ownership policy, state-owned companies must seek to comply with international guidelines such as the UN Guiding Principles on Business and Human Rights. The human rights work undertaken by state-owned companies will be examined in relevant cases in the sustainability analysis and followed up in stakeholder dialogues between representatives of the owner and the companies.