

Investor Guidance for Children's Rights Integration

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DRAFT FOR CONSULTATION



*“We are not sources of problems; we are the resources that are needed to solve them. We are not expenses; **we are investments.** We are not just young people; we are people and citizens of this world.”*

World Fit for Us,¹ 8-10 May 2002,
United Nations Special Session on Children.

INTRODUCTION

Children¹ make up almost a third of the world's population and interplay with business as consumers, employees' family members and workers. They are a unique stakeholder group in local communities as well as in the society at large: children have specific vulnerabilities and needs, and in some cases, business activities that have no negative impact on adults may be very harmful to children's rights and well-being.

Investors have a critical role in shaping and influencing corporate actions relating to human rights including children's rights, but in an investor landscape of proliferating human rights and sustainability initiatives, children have little prominence on the agenda. While few would admit to knowingly neglecting this stakeholder group, investors' human rights policies and other due diligence rarely take into account the special considerations around children. However, the standard approach may not sufficiently identify, let alone mitigate, the related risks, and the failure to manage such risks or to identify child-related opportunities can have material consequences to companies and investments alike.

It is now increasingly recognised that there are numerous business benefits for addressing children's rights. For instance, products and services that better meet parents' and children's needs can open new markets for companies, and the promotion of youth employment programs, apprenticeships and scholarships can help secure a skilled workforce and contribute positively towards the reputation of the company. From a risk perspective, corporate action that undermines children's rights is – by definition – unsustainable, posing a range of legal, operational and reputational risk.

All in all, there is a growing body of evidence of the benefits for incorporating children's rights in investment decision-making. Universal ownership, responsible investment, fiduciary duties and long-termism are all inherently linked to ensuring that investors are mindful of impacts and risks relating to children. Likewise, international norms and guidelines, as well as the United Nations' (UN) Sustainable Development Goals, clearly expect children's rights to be respected and supported at least as much as those of adults. Yet the attention among investors to children's rights issues, especially other than child labour, is still low and GES' surveys conducted in cooperation with the Global Child Forum² indicate that the integration into investment processes is rather limited within the sector.

With a growing interest and a business case for advancing on this issue, UNICEF and GES have developed this guidance to support investors to better take into account children's rights in investment policies, processes and decision-making. This document is based on the *Children's Rights and Business Principles*,³ launched by UNICEF, UN Global Compact and Save the Children in 2012, and on GES' *Investor Guidance for Children's Rights Integration* issued in 2016,⁴ and it is intended to serve as a practical reference and checklist for investors to use in their daily operations.

¹ The UN Convention on Rights of the Child defines children as those under the age of 18.

² Will add link if this reference stays through the editing stages.

³ <http://childrenandbusiness.org>

⁴ www.gesinternational.com/wp-content/uploads/2017/10/GES-Investor-Guidance-for-Childrens-Rights-Integration.pdf

Expectations on the Investors

Investors have a key role in influencing corporate behaviour and working towards improved business practices. There may be financial implications for companies not considering children's rights and this presents a potential risk for their owners. Irresponsible or negligent corporate behaviour could lead to reputational damage, declining sales, lawsuits, fines, boycotts, project or delivery delays, loss of contracts, increasing costs or tougher regulation, for example. On the other hand, successfully and appropriately acknowledging children as stakeholders and customers can result in new profit opportunities, increased sales, more satisfied and productive employee base, first-mover advantage, loyal long-term customer base, more goodwill, positive attention and a more stable operating environment.

Investors can take a number of practical actions to integrate children's rights in the investment decision-making, including:

- i. Explicitly acknowledge children's rights in responsible investment policy, articulate specific expectations to investors and publicly communicate the investor's approach to managing child rights risks.**

See, for example, Norges Bank Investment Management's expectation document on children's rights⁵

Include children's rights indicators in corporate risk screening and during the evaluation of the ESG risks and performance of investee companies. *Potential criteria can be found in UNICEF and the Danish Institute for Human Rights' guide Children's Rights in Impact Assessments⁶ and are also outlined in the section below.*

- ii. Identify the sectors, companies and regions most at risk of child rights breaches and apply additional due diligence if related securities are considered for investment.**

One related tool is *The Children's Rights and Business Atlas*, developed by UNICEF and Global Child Forum,⁷ which provides data on child rights risks by country and industry sector (covering apparel & footwear, extractives, food & beverage and ICT).

- iii. Avoid investing in companies whose business idea is inherently detrimental to children's rights.**

Some products are inherently harmful to children due to their composition or function such as tobacco and weapons. It's use can have detrimental and irreversible impact on people's lives, especially children, whose developing physiology and behaviour make them even more vulnerable than adults.

⁵ www.unglobalcompact.org/what-is-gc/mission/principles

⁶ www.unicef.org/csr/css/Children_s_Rights_in_Impact_Assessments_Web_161213.pdf

⁷ www.childrensrighsatlas.org/

- iv. Engage in an active dialogue with companies around child rights, especially in cases where actual or potential violations of child rights are identified.**

If using an external service provider, ensure that its methodology covers the norms and conventions described in Annex 1 or as otherwise appropriate, including issues beyond child labour. Please see the following section for suggested engagement questions.

- v. As appropriate, consider investing in companies whose products or services positively contribute to the respect and support of children's rights and/or which demonstrate a clear commitment to respect and support children's rights.**

Companies can use innovation to seek avenues for positively impacting children's well-being and development, aligned with core competencies in products, services and distribution channels. Examples include the development of products and services that are essential to children's survival and development, supporting equal access to products and services; promoting healthy lifestyles for children.

- vi. Systematically include the topic as a discussion point in meetings with both potential investees and portfolio companies This may include engagement in shareholder meetings, 'active ownership', 'shareholder advocacy', etc.**

This will help you evaluate their preparedness to assessing and managing child-related risks and opportunities and also serves the purpose of reminding companies of the importance investors place on children's rights. A selection of concrete conversation topics can be found in the following section.

- vii. Raise the issue of children's rights in your interaction with peers in the investment community and look for opportunities for collaboration.**

Possible forums for related collaboration include, for instance, the Child Labour Platform (CLP)⁸ and Investor Alliance for Human Rights.⁹ GES also coordinates multi-investor engagements regarding children's rights.

⁸ www.ilo.org/ipec/Action/CSR/clp/lang--en/index.htm

⁹ <https://investorsforhumanrights.org/>

Investor expectations for the companies

Formulating expectations around children's rights is one of several important ways for investors to raise awareness and improve practices among investee companies. When analysing and engaging with companies, investors should seek reassurances of a risk awareness and responsible approach to children's rights. While this should always take into account the specific circumstances and impacts applicable to each company, below is a selection of questions which could be used in dialogue or as a checklist for assessing companies. The list focus on criteria that investors can use as proxies to determine the extent to which investee companies adequately address child rights.

1) Management strategy and corporate leadership

It is crucial for companies to have both senior management and the board take ownership and continuously support the integration of children's rights in a company's policies and processes.¹⁰ This should include strategic commercial and investments decisions. Failure of not doing so can lead to adverse child rights impacts or missing out on opportunities, as outlined above.

- i. Has the management identified children as a stakeholder? Children have opinions, views, experiences and information that can inform a company's policies and human rights due diligence processes.¹⁰**
- ii. Has the board considered if child rights related risks have an impact on the company (reputational, financial)?**
- iii. Has the management integrated children's rights considerations into overall business strategy, policy and planning?**
- iv. Does the company publicly disclose strategy and report on children's rights?**
- v. Has the board considered how the advancement of child rights may lead to new business opportunities?**
- vi. Are policy commitments on human rights and children's rights specifically in place including a reference to key international conventions including UN CRC, ILO conventions no 138 and 182, and other instruments such as UNGPs and UNGC?**

¹⁰ UNICEF's tool on Engaging Stakeholders on Children's Rights provides guidance on engaging stakeholders on children's rights and guidance for companies than plan to consult children directly

2) Risk and impact assessment and management

The integration of child rights considerations into company due diligence processes is essential to the recognition of children as rights holders and stakeholders and towards a company understanding, addressing and reporting on its impact on children.

- i. To what extent is the company committed to addressing its human rights risks, including children's rights?**
 - a. Has the company integrated children's rights considerations into human rights risk and impact assessments and, as relevant, other company risk and impact assessments?
 - b. Are systems in place to track progress and company performance in relation to child rights?
 - c. Are there operational level grievance mechanisms in place which provide remedy for adverse impact affecting children?
- ii. Is the company identifying opportunities for advancing children's rights?**
 - a. With its resources (marketing, communication channels, data, expertise etc.) and reach to strategic stakeholders including policy decision makers, customers, employees and the general public, companies can have a great influence on public policies, public opinion and peoples' behavior. To what extent is this influence used to promote child right's issues and concerns?
- iii. Are children's rights included in the due diligence process for suppliers, third parties and other business associates?**
- 3. Transparency and reporting**
- i. Does the company publicly communicate how it addresses and manages child rights risks?**
- ii. Does the company include specific child rights indicators in its sustainability reporting?**

Key children's rights risk areas

The previous section focussed on criteria for investors to assess to what extent investee companies have due diligence processes in place to manage child rights risks. This section focusses on the scope of these processes by providing a list of child rights issues that should ideally be covered in these processes.

Workplace

Whereas child labour remains a critical concern, there is a myriad of other ways in which the rights of children are impacted in the workplace. In particular, the extent to which a company supports parents in their dual role as workers and caregivers can have a direct impact on children. Importantly, workplace practices are inextricably linked to wider community impact – and vice versa. For example, insufficient wages can undermine parents' ability to support the health, nutrition and education of their children. Conversely, better access to services in the community context will also improve parents' situation in the workplace (e.g. maternal health and nutrition). Below indicators highlight areas that allow investors to assess the management of risks related to companies' employment and workplace practises:¹¹

Family-friendly workplaces

- **Non-discrimination:** Does the company guarantee that women are not discriminated against based on pregnancy, motherhood or family responsibilities such as in relation to employment conditions, wages or career opportunities?
- **Maternity protection:** Does the company guarantee a minimum amount of paid maternity leave for mothers and paid paternity for fathers in line with national law and international standards (whichever is more favourable to workers)?
- **Breastfeeding at work:** Does the company enable breastfeeding at work through paid breastfeeding breaks, adequate lactation facilities and a supportive breastfeeding environment in the workplace?
- **Access to childcare:** Does the company support access to affordable and quality childcare to ensure that children have access to early childhood education?
- **Flexible working time:** Does the company grant flexible working time arrangements through work from home policies and other measures.
- **Wages & working hours:** Does the company provide wages that reflect the cost of living for families and limit working hours to national and international standards (whichever is more favourable to workers)?

Child labour & child safeguarding

- Does the company have **effective monitoring and remediation systems** in place to prevent and mitigate risks of child labour in its operations?
- Does the company have effective **child safeguarding policies and processes** in place?
- Does the company have **effective policies and systems in place to protect the rights of young workers**?

Youth empowerment

- Does the company provide **youth empowerment opportunities** such as through apprenticeships, school-to-work transition, vocational training and skills development)?

¹¹ For a list of indicators that are particularly relevant in a company's supply chain, see Appendix



Children's rights in global supply chains

Globally, as many as 250 million children are likely to be affected by the garment and footwear sector. While child labour is one of the most recognised concerns, there are a number of other ways in which the rights of children are directly and indirectly impacted. Working conditions of the predominantly female workforce, for example, are inextricably linked to the welfare of their children. Issues such as living wages, maternity protection, breastfeeding support and access to childcare are critical aspects affecting workers' families. Jointly with Norges Bank Investment Management (NBIM), UNICEF has established a network with leading companies to improve business policy and practice for children's rights in the garment and footwear supply chain. The collaboration includes the development of a guidance tool for brands, factories and investors to take action toward better integration of child rights metrics in their sustainability efforts.

Marketplace

In addition to workplace practises, companies can have a range of other adverse impact on children, including through its product and marketing practices. According to the Children's Rights and Business Principles, a company has the responsibility to ensure that all products and services for children, or to which children may be exposed, are safe and don't cause any mental, moral or physical harm. This concerns the development and testing of products as well as the marketing and advertising of products and services. Children are an extraordinarily powerful consumer group and companies have a critical role in managing their responsibilities towards children.

- Product safety**, e.g. does the company have policies in place that outline age restrictions for product use?
- Marketing and advertising**, e.g. are there responsible marketing and advertising policies in place that prohibit harmful and unethical advertising related to children?
- Online safety**, e.g. does the company have policies in place for online child safety?
- Adherence to **international and national marketing and advertising codes** with reference to industry specific international code of conducts





Children and digital marketing

Marketing and advertising are a basic feature of almost all business and have a huge impact on children for better or worse. From stimulating positive behavior change to reinforcing disempowering stereotypes, marketing and advertising can support or impede health, nutrition, and overall well-being. Today's children occupy a unique position in the marketing ecosystem. They are an extraordinarily powerful consumer group, equipped by technology to exercise commercial influence while also wielding persuasive influence over their parents' buying choices. Although they have become progressively impervious to traditional forms of advertising, their distrust does not extend to familiar online spaces. The digital marketing ecosystem is sustained, in part, by the collection, analysis, storage and sale of children's personal data. Many data collection practices occur without children's knowledge or consent, or under circumstances that do not empower them to understand and control the use of their personal information.¹²

Community and the environment

Investing in children's safety, education and health leads to more resilient and peaceful societies in the long term and access to quality education can in due course provide companies with a qualified workforce pool. Improvements in employees' working and living conditions not only further their well-being and reduce occupational health and safety risks, but can have other beneficial spill-over effects on children as well. Likewise, higher wages can positively affect the health status and education opportunities for workers' family members.

Further, how the company operates and interacts with the local community has a strong impact on children. This includes how it tackles waste management and pollution, land acquisition and the use of land for business purposes. It is therefore important to consider child rights in holistic ways which include efforts addressing both working and living conditions.

- i. Has the company conducted any mapping/risk assessment of its impact on the communities where it has operations?
- ii. Does the company engage with relevant stakeholders in the communities, industry peers, business partners and non-governmental organisations on children's rights issues?
- iii. Does the company have strategic social investment programmes for children? Do they include community consultations/alignment with government plans and priorities?

¹² Find out more about how digital advertising practices have both positive and negative impacts on children's rights in 'Children and Digital Marketing: Rights, risks and opportunities'



Investing in children in mining communities

Investing in children's safety, education and health leads to more resilient and peaceful societies in the long term, and is therefore the best foundation for a sustainable future for communities near major mining operations. Investing in children also provides companies with a qualified workforce pool and improves relations with communities, helping to secure the social licence to operate. Good practice social investment planning is informed by data on needs and opportunities, the impact of the operations, and the mining company's reach and leverage. Improper planning can result in substantial investments failing to bring expected results or address pertinent social risks. If planned well, corporate social investments can contribute to enhancing the materialization of child rights and broader local community development, as well as support and improve community relations, and help the company uphold its social licence to operate.



Appendix 1: International norms and standards

Internationally agreed norms and conventions that set the standards and provide guidance on issues relating to ESG (Environmental, Social and Governance) are often the basis for investors' approach to responsible investment and something that many explicitly commit to adhering to. They are typically used for ensuring compliance (e.g. screening out companies associated with norms breaches) and defining expectations for investees. Apart from compelling investors to respect children's rights as part of their general human rights commitment, alignment with the norms requires them to also take into account specific child-related aspects, as illustrated below.

UN Conventions and ILO standards

Human rights apply to all age groups, and children have the same fundamental rights as adults. However, there are rights that only apply to children due to their unique needs and vulnerabilities. The Convention on the Rights of the Child (CRC) elaborates on the human rights of children, recognising the interdependence of their civil, political, economic, social and cultural rights. It also proclaims that children need accommodation and protection in order to fully enjoy these rights. The labour aspects of children's rights are outlined in the International Labour Organization's (ILO) Convention No. 138 on Minimum Age for Admission to Employment and Convention No. 182 on Worst Forms of Child Labour.

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights (UNGPs) provide a roadmap for companies to demonstrate that they are respecting human rights. The corporate responsibility to respect human – including children's – rights, as outlined in the principles, does not replace a state's duty to protect those rights and exists independently of a national government's abilities and willingness to fulfil its obligations. Nevertheless, the UNGPs require businesses to establish policies and processes appropriate to their size and circumstances. This involves also respecting the human rights of individuals belonging to specific groups or populations that require particular attention, such as children, where companies may have adverse human rights impacts on them.

The Children's Rights and Business Principles

Save the Children, the UN Global Compact (UNGC) and UNICEF led a process to develop the Children's Rights and Business Principles (CRBPs), launched in March 2012. The CRBPs are a set of principles that identify a comprehensive range of actions that all business, including investors, should take to respect and support children's rights in the workplace, marketplace, community and environment – in conjunction with the governments' duty to protect children's rights.

"The Children's Rights and Business Principles are an important effort to explore the implications of the UN Guiding Principles on Business and Human Rights for the human rights of children. Children are among the most marginalized and vulnerable members of society, and can be disproportionately, severely and permanently impacted by business activities, operations and relationships."

Professor John Ruggie, former UN Secretary-General's Special Representative for Business and Human Rights

UN Global Compact¹³

The UNGC is a principle-based framework that encourages business worldwide to adopt sustainable and socially responsible policies in the areas of human rights, labour, the environment and anti-corruption. Out of the ten principles, principle 1 stipulates that business should support and respect the protection of internationally proclaimed human rights, *including paying special attention to the rights of vulnerable groups such as children*. Principle 5 focuses on business needing to uphold the effective abolition of child labour.

OECD Guidelines for Multinational Enterprises¹⁴

The OECD Guidelines for Multinational Enterprises (Guidelines) are recommendations by governments to multinational enterprises. They provide non-binding principles and standards for responsible business conduct consistent with applicable laws and internationally recognised standards.

On human rights, Guideline IV notes that enterprises may need to consider additional standards for population groups that require particular human rights attention, such as children. Guideline V on employment and industrial relations urges companies to contribute to the abolition of child labour, but also emphasises that enterprises have a positive role addressing the related root causes of poverty through the creation of high-quality, well-paid jobs. In this context, the Guideline also underlines the importance of raising the standards of education of children in host countries and ensuring equal opportunities to training for vulnerable groups such as youth. Guideline VIII on consumer interests similarly calls on companies to take into account the situations of vulnerable and disadvantaged consumers when marketing goods and services and notes that children are becoming increasingly significant forces in the market.

The OECD Due Diligence Guidance for Responsible Business Conduct¹⁵ further elaborates on how companies can, for instance, implement child labour due diligence, engage with potentially vulnerable stakeholders including children, be linked to adverse impacts including child labour through their business relations, and address systemic issues, e.g. poor access to schools, high poverty rates and harassment of girls.

Sustainable Development Goals (SDGs)

Many responsible investors have started aligning and targeting their ownership activities in a way contributing to the Sustainable Development Goals (SDGs). The goals relating to health, education and access to water, sanitation and hygiene may have the most obvious links to children's rights and well-being, but all 17 SDGs and the 169 underlying targets in the 2030 Agenda for Sustainable Development are relevant to children's lives¹⁶. Companies have numerous opportunities to contribute to the SDG. For example, through the nature of their products and services, innovation, skills-transfer, job creation and corporate philanthropy. However, there is an increased recognition of the vast opportunity to contribute to the SDGs by respecting human rights in core operations and supply chains. As many would argue, driving respect for human rights through global operations and value chains is arguably one of the biggest contribution companies and investors can make to the SDGs.¹⁷

¹³ www.unglobalcompact.org/what-is-gc/mission/principles

¹⁴ www.oecd.org/daf/inv/mne/48004323.pdf

¹⁵ <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

¹⁶ UNICEF has mapped each of the SDGs against the articles in the Convention on the Rights of the Child: https://www.unicef.org/agenda2030/files/SDG-CRC_mapping_FINAL.pdf

¹⁷ Shift

Appendix 2: The Children's Rights and Business Principles

Based on the Children's Rights and Business Principles, investors should request that their investees:

1	Meet their responsibility to respect children's rights and commit to supporting the human rights of children
	Recognising the core principles underpinning children's rights; putting in place appropriate policies and processes; committing to supporting the human rights of children.
2	Contribute to the elimination of child labour, including in all business activities and business relationships
	Eliminating child labour throughout the value chain; preventing, identifying and mitigating harm to young workers; working with governments, social partners and others to promote education and tackle the root causes.
3	Provide decent work for young workers, parents and caregivers
	Providing decent work and working conditions; being responsive to the vulnerabilities of young workers and the needs of parents and caregivers.
4	Ensure the protection and safety of children in all business activities and facilities
	Addressing risks posed to children by business facilities and staff; implementing a child protection code of conduct.
5	Ensure that products and services are safe, and seek to support children's rights through them
	Conducting testing and ensuring products cause no harm; restricting access to unsuitable products and services; eliminating discrimination; maximising the accessibility and availability of products essential to children's survival and development.
6	Use marketing and advertising that respects and support children's rights
	Ensuring that communications do not have an adverse impact; complying with the international and national standards, particularly in relation to health; using marketing which empowers and raises awareness.
7	Respect and support children's rights in relation to the environment and to land acquisition and use
	Ensuring business activities do not negatively affect the environment that children live in or families rely on; recognising children's rights as an integral part of the processes involving land acquisition and use.
8	Respect and support children's rights in security arrangements
	Incorporating children's rights into security arrangements; not recruiting children for these purposes; ensuring that children's rights are respected by those providing security services.
9	Help protect children affected by emergencies
	Recognising and mitigating the heightened risks to children in the context of armed conflict and emergencies; helping to protect the affected children; making a positive contribution to sustainable peace and development.
10	Reinforce community and government efforts to protect and fulfil children's rights
	Recognising the core principles underpinning children's rights; putting in place appropriate policies and processes; committing to supporting the human rights of children.

Appendix 3: Children's rights in supply chains

The list provides example indicators for investors to assess the extent to which investee companies manage child rights risks in their supply chain.

- Does the company promote respect and support for child rights among its suppliers (e.g. through policies, codes of conduct, awareness raising and technical support)?
- Does the company undertake risk and impact assessments in its supply chain that include impact on children?
- Does the company disclose its list of suppliers and report on child rights metrics in the supply chain?
- Does the company include sustainability criteria in its purchasing practices with suppliers?
- Does the company monitor and address child rights risks in the deeper supply chain (beyond tier 1)?

Specific indicators related to child rights impact in the supply chain may (depending on context) include

Maternity protection

- Length of paid/unpaid maternity leave provided by the supplier
- Average earnings during maternity (compared to previous earnings)
- Length of paid/unpaid paternity leave
- Other support granted during parental leave (e.g. access to services)
- Special health & safety protections for pregnant and nursing mothers
- Systems to guarantee non-discrimination on the grounds of pregnancy or motherhood

Breastfeeding support

- Length of paid/unpaid maternity leave provided by the supplier
- Entitlement to paid breastfeeding breaks for nursing mothers
- Adequate space for mothers to breastfeed in the workplace
- Adequate space for mothers to express and store breastmilk in the workplace
- Other forms of breastfeeding support (e.g. awareness raising, lactation counselling, etc.)

Childcare support

- Access to employer-supported childcare (either in the workplace or community)

Child labour & safeguarding

- Effective systems to monitor and remediate risks of child labour
- Effective child safeguarding policies and processes
- Special protections for young workers and youth empowerment programs

Health, safety and sanitation

- Effective measures to ensure health and safety in the workplace for pregnant and nursing women
- Access to clean water, sanitation and hygiene

Wages & working hours

- Minimum wages that meet the basic needs of workers and their families
- Working hours that are limited to national law and international standards (whichever is more favourable)?
- Flexible working time arrangements for working parents (e.g. work from home policies)?

Migrant workers

- Measures to address the specific challenges faced by migrant & seasonal workers such as in relation to supporting workers to move with their families and work with governments to support migrant families' access basic services

Positive parenting

- Measures to promote positive parenting practices (e.g. training and awareness campaigns to highlight the importance of early childhood development)

