Investor Guidance for
Children's Rights Integration

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DRAFT FOR CONSULTATION

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*"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,' 8-10 May 2002,
United Nations Special Session on Children.

INTRODUCTION

Children[1] 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 Forum[2] 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 Principle*s,[3] launched by UNICEF, UN Global Compact and Save the Children in 2012, and on GES' *Investor Guidance for Children's Rights Integratio*n 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 rights[5]

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 Assessments*[6] *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.childrensrightsatlas.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] UNICEFs 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