

NBIM Investor Expectations on Children's Rights



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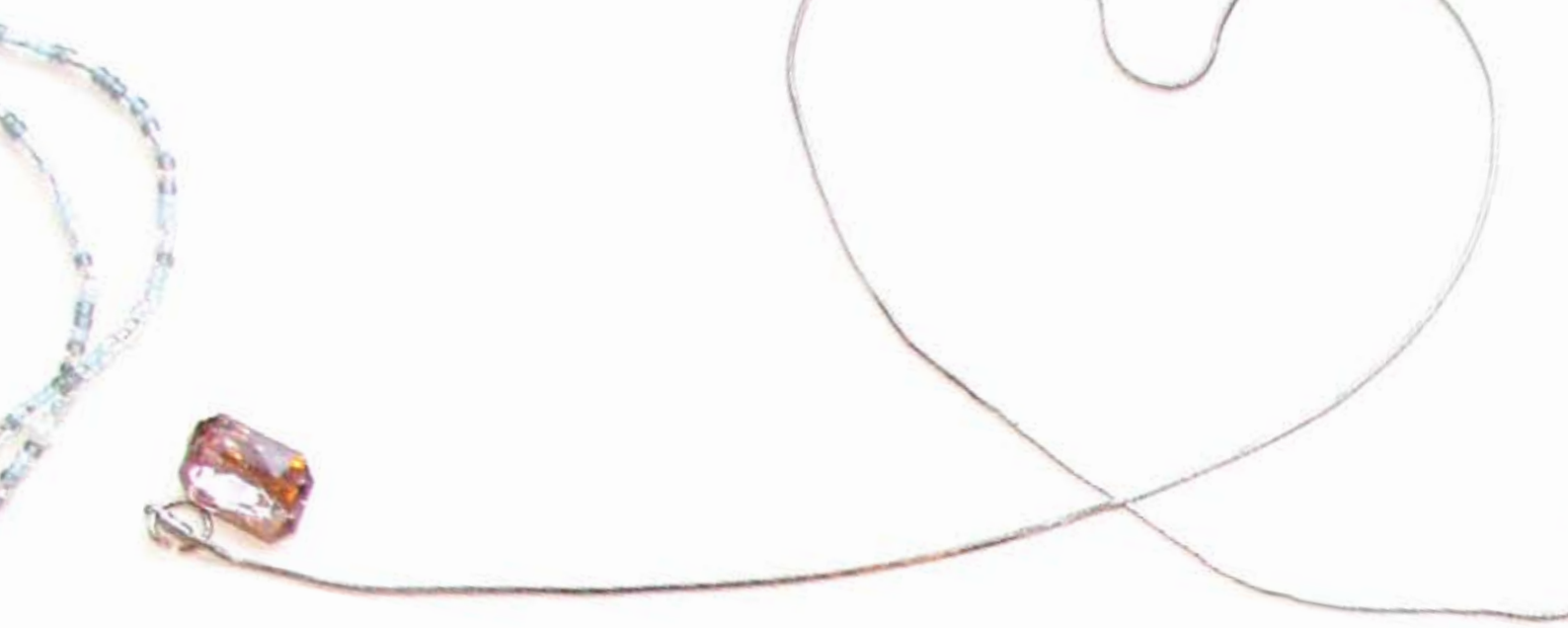
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Purpose

The NBIM Investor Expectations on Children's Rights specify investor expectations for corporate performance with regard to preventing child labour and promoting children's rights. They are especially directed towards corporations operating in high-risk sectors and high-risk countries.

Focus on the welfare of children in the value chain and sphere of influence of corporations should be a priority area for investors with a long-term investment horizon. Even though child labour is in decline, there are still 218 million children in the age group from 5 to 17 who can be regarded as child labourers, of whom 126 million are engaged in hazardous work.¹

The Expectations are based on criteria for preventive corporate action in regard to the worst forms of child labour, sustaining of the minimum age for labour, and promotion of children's welfare. The NBIM Investor Expectations on Children's Rights will serve as a reference for investors who adhere to the principles of responsible investment, and can be used as an indicator of best business practices by corporations globally. The primary function of the Expectations is not to blacklist or rank companies, but to serve as a point of departure for constructive dialogue between investors and companies, and to set a clear standard that companies globally must be expected to live up to.

¹ Source: *The End of Child Labour: Within Reach*, ILO 2006

Why are children's rights an issue for investors?

From an ethical standpoint there are few issues that rank higher in importance than the protection of children's rights. However, the effort to safeguard children's rights is also important from a financial perspective.

- First, boards must carefully, as part of their fiduciary responsibility to their shareholders, consider the economic impact of social issues, including child labour.
- Second, poor education and health for the coming generation of workers and consumers provide a weak and inadequate basis for future production and employment, resulting in economic loss for investors and businesses, and increased risk of social instability and unrest.²
- Third, corporate behaviour that harms the rights and health of children distorts the market system in a way that threatens the legitimacy of individual companies, markets, and indeed the global market economy. Measures to increase the moral and legal legitimacy of the market system – through general regulations and company-specific initiatives – are therefore of major importance for global investors with long-term positions. Measures designed to protect the rights and integrity of children must stand at the heart of such a process.
- Finally, from an investor perspective, unwillingness to assume corporate responsibility in addressing and combating the exploitation of children may be an indication of weak corporate management in dealing with externalities and risk.

² *Investing in Every Child - an economic study of the costs and benefits of eliminating child labour*, ILO 2004.



Normative basis and stakeholder input

The NBIM Investor Expectations on Children's Rights are based on The UN Convention on the Rights of the Child³ and the ILO conventions on Child Labour: No. 138 (the ILO Minimum Age Convention) and No. 182 (the Worst Forms of Child Labour Convention).

The ILO conventions are included in the OECD guidelines for multinational enterprises⁴ and the UN Global Compact, which are incorporated into NBIM's Principles for Corporate Governance and the Protection of Financial Assets. In order to ensure quality and relevance, the NBIM Investor Expectations on Children's Rights have been through a consultation and evaluation process with representatives of relevant NGOs and the ILO, as well as consultants within the field of child labour and children's rights.

³ www.ohchr.org/english/law/crc.htm

⁴ www.oecd.org

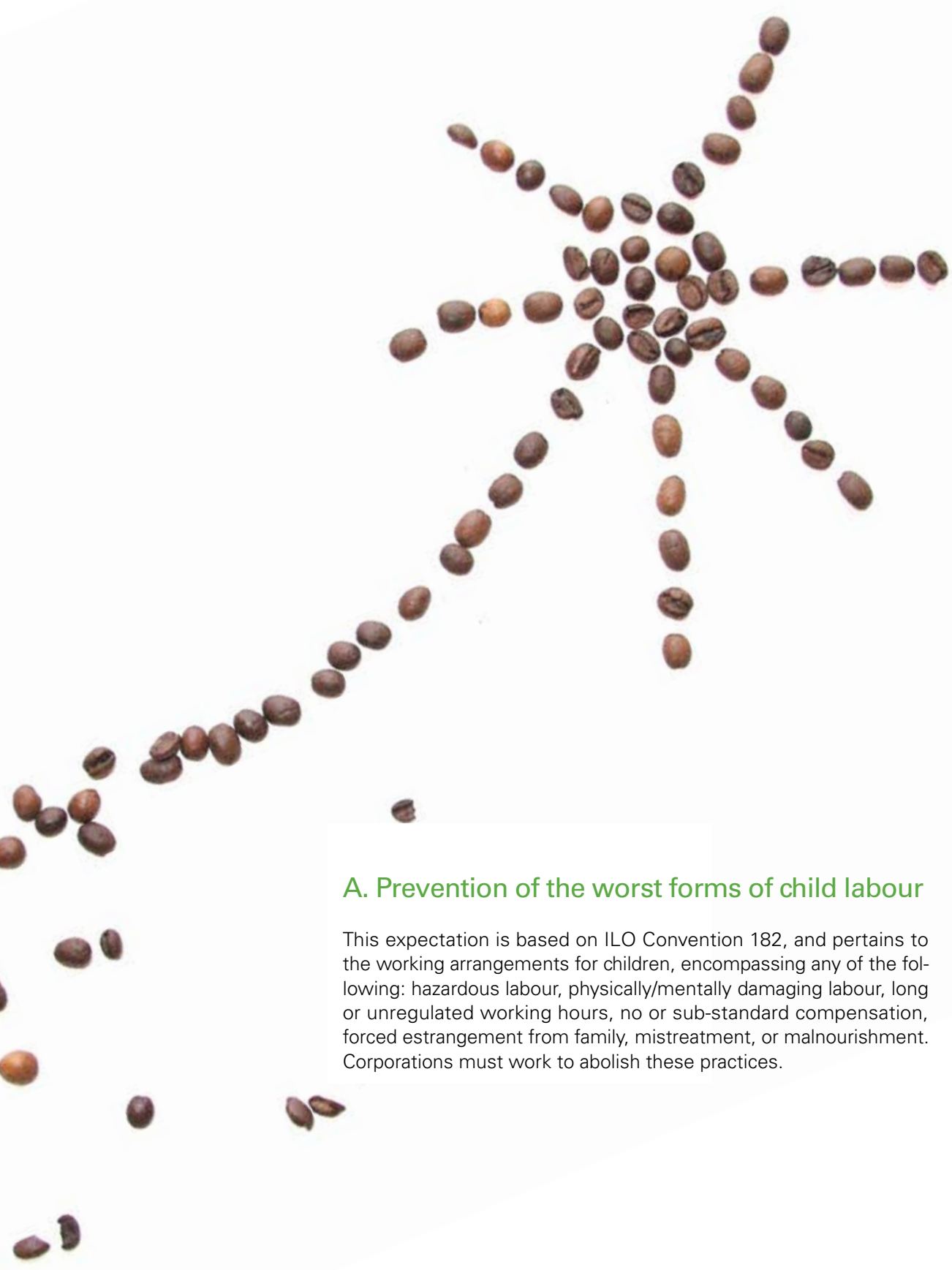
Expectations

The NBIM Investor Expectations on Children's Rights have been divided into four main categories with accompanying requirements. The requirements for A and B overlap and are therefore listed together.

Several of the requirements below can only be fulfilled in cooperation with local, national, and international government bodies, or in cooperation with NGOs and civil society. It is therefore not to be understood that the corporations themselves will need to run all the programmes and activities outlined. But they do nonetheless, as a minimum, have a responsibility for contributing to them, or for ensuring that they are in place.

Furthermore, several of our requirements, listed below, can be linked to broader social or environmental policies and programmes, and be integrated therein.





A. Prevention of the worst forms of child labour

This expectation is based on ILO Convention 182, and pertains to the working arrangements for children, encompassing any of the following: hazardous labour, physically/mentally damaging labour, long or unregulated working hours, no or sub-standard compensation, forced estrangement from family, mistreatment, or malnourishment. Corporations must work to abolish these practices.



B. Sustaining the minimum age standard

This expectation is based on ILO Convention 138, which sets a number of minimum ages depending on the type of employment or work. The universal minimum age for employment should not be below the age for completing compulsory schooling and not below 15 years. However, in countries where the economy and educational facilities are insufficiently developed, the age can in special cases be set lower, normally at 14 years. If the work performed can be considered light work, the minimum age can be set at 13 or 12 years. For hazardous work the age must not be below 18 years. Corporations should work towards setting realistic goals for attaining respect for the minimum age standards within their value chain, and without delay work to ensure that children are not exposed to maltreatment through their participation in labour, and that their basic rights are protected (cf. also A above and C below).



Requirements for categories A and B:

- *Policy* regarding the prevention of child labour, *Continuous risk analysis* and *Preventive and corrective action plans* must be in place, covering both international operations, subsidiaries, and joint venture partners, and encompassing the following questions:
 - Has the company conducted risk analysis and/or does the company have information on whether child labour occurs in the geographic areas of their business activity, within their sector, and/or among business partners?
 - What measures have been taken to prevent that children will be involved in hazardous labour, or labourers below the minimum age will be used in business activities?
 - What measures will be taken if such labour is found within business activities?
- *Supply chain management systems* must be in place, including policies for supply chain child labour, monitoring systems, contractual clauses, and corrective instruments, such as formal or non-formal education and training.
- *Performance reporting* must be transparent, and include measurement systems and targets for the future.
- There must be *consultation and/or collaboration* with communities, NGOs and other relevant organizations, both in procuring the necessary information and research, and in building preventive and corrective programmes.
- *Compensation programmes* must be in place, ensuring that children and their families are not worse off due to the loss of income.



C. Promotion of children's welfare

This expectation is based on The UN Convention on the Rights of the Child. Large corporations often affect the living conditions of children in far-reaching ways, and should be expected, in addition to the fight against child labour, to play a role in securing the basic rights of children whose lives are affected adversely by corporate activities. Examples of issues that fall under the promotion of children's welfare are clean water supply, access to education and health care, safeguarding of the right not to be forcefully estranged from family, and codes of responsible marketing towards children.

In addition, the company must work to ensure that its employees and contractors do not contribute to the sexual exploitation of children, and that all employees and contractors are fully informed of the company's expectations and policy in this respect.

Requirements:

- *Strategy* must be in place – including *reasonable risk assessment* – for securing that children's rights are not violated as a direct consequence of the company's activities.
- There must be an *action plan/programme to address causes and consequences of violations of children's rights* within the company's sphere of influence.
- There must be *monitoring systems* for the prevention of violations of children's rights.
- Programmes should be in place for *consultation and/or collaboration* with local communities, NGOs, and governmental organisations/agencies.
- There must be *disclosure* on commitment, performance, and targets for the future.



D. Governance structures

In order to realize these Investor Expectations, companies must have a corporate governance structure that facilitates realistic strategies and responses to the issues raised herein. As investors, it is not our role to suggest in detail the way in which each company organises its board and management structures. We do expect however, that this governance structure will include board-level input and discussions. There are also other elements to consider: board committee structures, management responsibilities, risk management, and internal control processes, reporting lines, timelines and internal sanctions. We have formulated our overall requirements in such a manner as to reflect the different ways in which this can be put into practice within each company.

Requirements:

- The potential economic impact of social issues must be *integrated into the company's strategic business planning*.
- There must be a *transparent and well-functioning governance structure* for implementing and overseeing child labour and children's rights policies and programmes.
- *Reporting must be transparent*, and must reflect not only short-term investor concerns, but also the concerns of long-term, diversified investors with a natural interest in social issues such as child labour and children's rights.

SUMMARY

NBIM Investor Expectations on Children's Rights

The purpose of the NBIM Investor Expectations on Children's Rights is to specify investor expectations for corporate performance with regard to preventing child labour and promoting children's rights.

The NBIM Investor Expectations on Children's Rights are divided into four main categories with accompanying requirements.

Expectations:

A. Prevention of the worst forms of child labour

This expectation is based on ILO Convention 182, and pertains to the working arrangements for children, encompassing hazardous and physically/mentally damaging labour.

B. Sustaining the minimum age standard

This expectation is based on ILO Convention 138. The minimum age for employment should normally not be below the age for compulsory schooling, and under normal circumstances not below 15 years. For hazardous work the age must not be below 18 years.

C. Promotion of children's welfare

This expectation is based on The UN Convention on the Rights of the Child. Large corporations should be expected, in addition to the fight against child labour, to play a role together with other stakeholders in securing the basic rights of children whose lives are affected adversely by corporate activities.

D. Governance structures

Corporations must have a corporate governance structure that facilitates realistic strategies and responses to the management of child labour and children's rights. The following elements should be considered: board-level involvement, board committee structures, management responsibilities, risk management and internal control processes, reporting lines, timelines, and internal sanctions.

Requirements:

- Child labour policy
- Continuous risk analysis
- Preventive and corrective action plans and programmes
- Supply chain management systems
- Monitoring systems
- Performance reporting
- Integration of the potential economic impact of social issues into the company's strategic business planning
- Transparent and well-functioning governance structure