

CHILDREN'S RIGHTS STRATEGY

EXPECTATIONS TOWARDS COMPANIES

The purpose of this document is to broadly set out the ways in which Norges Bank Investment Management, as a financial investor, expects companies to respect children's rights. Our expectations are primarily directed at company boards and intended to serve as a starting point for our interaction with companies on the topic of children's rights.

Boards should understand the broader environmental and social consequences of business operations. In line with the OECD Principles for Corporate Governance, we expect company boards to take into account the interests of all relevant stakeholders. Boards should ensure that the company has a policy to respect children's rights and that relevant measures are integrated into corporate business strategy, risk management, and reporting. Boards should ascertain that the ensuing responsibilities are clearly defined within the organisation and they should effectively guide, monitor, and review company management in carrying out these efforts.

Norges Bank Investment Management is responsible for managing the assets of the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. Norges Bank Investment Management will, as a starting point and where appropriate, base its practices on internationally recognised standards such as the UN Global Compact, the OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises.

PURPOSE OF THE EXPECTATIONS

The purpose of this document is to broadly set out the ways in which Norges Bank Investment Management, as a financial investor, expects companies to respect children's rights. Our expectations are primarily directed at company boards and intended to serve as a starting point for our interaction with companies on the topic of children's rights.

RELEVANCE OF CHILDREN'S RIGHTS

Norges Bank Investment Management's point of departure for our children's rights expectations is our investment mandate and our long-term financial objective of safeguarding the fund's assets. The fund is a financial investor and diversifies its investments across a large number of markets and securities. Norges Bank Investment Management will, through responsible investment management practice, promote good governance and well-functioning, legitimate and efficient markets. The long-term legitimacy of sectors and markets depends, among other things, on operations and products that are ethically acceptable.

Companies may have an impact on children's rights through their direct operations, supply chains and other business relationships, through their interactions with communities in the course of their operations, or as a consequence of the marketing and use of their products or services. Child labour provides a case in point, as it is perhaps the largest single problem concerning business and children's rights in many parts of the world. Despite efforts to eradicate child labour, estimates from the International Labour Organization (ILO) show that almost 11 per cent of the world's children, numbering some 168 million individuals, are child labourers. Of these, 85 million carry out hazardous work.¹ Other areas in which companies may have negative impacts on children's rights include abuse, education, decent work opportunities and/or inadequate wages for parents, health care, clean water, food, the right not to be estranged from family, as well as product safety and responsible marketing towards children.

The legal obligation to protect children's human rights rests with governments under international law. It is, however, broadly accepted that companies have a responsibility to respect human rights, including in supply chains

¹ *Marking progress against child labour - Global estimates and trends 2000-2012 / International Labour Office, International Programme on the Elimination of Child Labour (IPEC) - Geneva: ILO, 2013.*

and business relationships. International legally binding instruments such as the UN Convention on the Rights of the Child with protocols² and the relevant ILO Conventions³ constitute the full range of children's rights. Guidance for companies on how to approach this topic can be found in the UN Guiding Principles for Business and Human Rights (UNGP), the OECD Guidelines for Multinational Enterprises, as well as the Children's Rights and Business Principles (CRBP).⁴ The UNGP establishes a clear normative starting point for companies' human rights strategies. The CRBP, moreover, provide a basic reference point for business action to respect and support children's rights.

It follows from the UNGP that respecting children's human rights in direct operations, supply chains and other business relationships should be an integrated part of company strategy, and that company priorities should be set based on the severity of issues⁵. Respecting children's rights is, in Norges Bank Investment Management's view, an inherent part of good business practice and risk management. Benefits of a corporate strategy for managing children's rights may include uncovering business opportunities and strengthening operations. Conversely, association with children's rights abuse may have negative business implications.

Our expectations are directed towards all companies in our portfolio. They are especially relevant for companies with direct operations or supply chains in sectors and countries where there is a high-risk of negative impacts on children's rights. The issue of children's rights requires a broad understanding and response from companies.⁶ Appropriate strategies to address children's rights issues need to be seen in the relevant social and economic context. The complexity of dynamic and globally diversified supply chains will necessarily mean that companies must prioritise their efforts.

Norges Bank Investment Management expects companies to be transparent about the topics raised in this document including, as far as possible, about the dilemmas they face and priorities they set in their efforts to respect children's rights. Appropriate and timely reporting, as well as measurable data, are important in this regard. Norges Bank Investment Management uses information from such reporting to identify how the issue of children's rights may affect companies' performance, risk, and prospects, and to assess whether the company is taking relevant steps to develop a long-term business strategy addressing children's rights.

² *Convention on the Rights of the Child (1989). Optional Protocols to the Convention on the Rights of the Child 1) the involvement of children in armed conflict (2000), 2) the sale of children, child prostitution and child pornography (2000), 3) communications procedure (2014).*

³ *ILO Convention No. 182 (On the Worst Forms of Child Labour) and No. 138 (On Minimum Ages).*

⁴ *Norges Bank Investment Management took part in the working group advising UNICEF and Redd Barna in the development of these principles. See <http://www.unicef.org/csr/12.htm> for more details.*

⁵ *The UNGP concept of human rights due diligence concerns risk management processes to identify, prevent, mitigate and account for how a company addresses its adverse human rights impacts.*

⁶ *For example, to achieve its intention, a strategy to address child labour may also be guided by the principle of living wages for parents that are at least sufficient to cover basic family needs in a given location.*

EXPECTATIONS TO COMPANIES

Boards should understand the broader environmental and social consequences of business operations. In line with the OECD Principles for Corporate Governance, we expect company boards to take into account the interests of all relevant stakeholders. Boards should ensure that the company has a policy to respect children's rights and that relevant measures are integrated into corporate business strategy, risk management, and reporting. Boards should ascertain that the ensuing responsibilities are clearly defined within the organisation and they should effectively guide, monitor, and review company management in carrying out these efforts.

A. Integrate children's rights considerations into business strategy, policy and planning

- Companies should understand both the social and business implications of children's rights and integrate findings within their strategic business planning.
- Companies should make a commitment and, where relevant, define a strategy and adopt policies regarding the respect for children's rights, including in particular the right to be free from child labour.⁷
- Company strategy should align with the UNGP and at the same time be meaningful in the context of company operations, including supply chains and other business relationships.
- Companies should adopt policies based on international principles, industry standards and best practices addressing children's rights.
- Company policies should include measures for identification and, as appropriate, prevention, mitigation and remediation of adverse children's rights impacts from direct operations, supply chains and other business relationships, as well as with regard to products, services and marketing.
- Companies should regularly consider whether their remuneration, incentive systems, and wider company culture integrate sustainable business practices appropriately. Employees and contractors must be made aware of company strategy and policies.
- Companies could seek to identify opportunities for promoting children's rights.
- Companies may consider putting in place a mechanism for third-party expert input into their children's rights strategies and policies.

⁷ The strategy and policies can be integrated with wider corporate responsibility strategies on, for example, ethics, human rights or sustainability.

B. Integrate children's rights into risk management

- Companies should strive to identify and assess salient risks related to children's rights in their business operations, supply chains, including raw material sourcing, and other business relationships.⁸
- Companies should incorporate children's rights into a robust and integrated risk management framework.
- Companies should specify actions to address identified risks, including through cessation, prevention and mitigation of potential abuses of children's rights.
- In setting priorities, companies should be guided by, for example, company size, the nature and context of operations and the severity of the potential impact on children's rights.
- Companies should, as relevant, define qualitative and quantitative indicators that enable monitoring and tracking abuses of children's rights. The performance of preventive and corrective actions should be tracked.
- Companies should carry out relevant impact and risk assessments prior to for example making significant investments in new business activities, agreeing mergers and acquisitions, entering into new countries, regions or locations and establishing new business relationships.
- Companies should have an adequate supply chain management system, which incorporates children's rights considerations, including policies for detecting and preventing supply chain child labour. To this end, companies should have in place monitoring systems, contractual clauses, incentives and corrective instruments, such as education and training.

C. Disclose strategy and report on children's rights

- Companies should publicly disclose their children's rights commitment, strategy, policies and processes.
- Companies should, for example, disclose action plans, governance structures, operational procedures and risk and impact assessments, as well as stakeholder relations with regards to children's rights.
- Companies should ensure that information is communicated in a relevant and accessible manner.
- Companies should identify, monitor and report status of relevant topics. Performance reporting should, as appropriate, use metrics that enable year-on-year comparison, in line with applicable internationally accepted reporting standards or initiatives.

⁸ Guidance to identify salient risks can be found at <http://www.ungpreparing.org/reporting-framework/defining-a-focus-of-reporting/statement-of-salient-issues/>

- Companies should disclose information, at an appropriate level of detail, on activities in high-risk sectors and geographical areas and, as far as possible, be open about prioritisations and dilemmas they face.
- As appropriate, companies should report the above data for supply chains and other business relationships, taking a full value-chain perspective.⁹

D. Interaction with stakeholders, policy makers and regulators

- Companies should have policies for engaging constructively with policy-makers and regulators on children's rights and be transparent about those policies or guidelines.
- Companies should outline their position on specific regulations relevant to their business profitability and outlook, and consider promotion of policies supportive of the rights of children.
- Companies should understand their social and environmental impact on, and the associated needs of, the communities surrounding their direct operations, supply chains and other business relationships, as well as on the users of their products and services. Companies should recognise children as stakeholders in this regard.
- Companies should recognise that the well-being of children is also contingent on the well-being of adult employees, as their carers.
- Companies should, as relevant, engage with industry peers, business relations and local stakeholders on children's rights issues. This applies both in collecting the necessary information and research, as well as in building preventive and corrective action plans.
- Companies should establish or participate in an effective and accessible operational level grievance mechanism for alleged negative impacts on children's rights arising from their direct operations, supply chains and other business relationships.

⁹ Companies should, for example, report on how they intend to abolish practices that are inconsistent with ILO Convention 182 on the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour and 138 on Minimum Age for Admission to Employment in their direct operations and their supply chain, including raw material sourcing.

WHAT ARE CHILDREN'S RIGHTS?

Children are entitled to all human rights. These rights include, but are not limited to, the right to life, survival and development, privacy, safety and integrity, to freedom of belief and expression, participation, to freedom from all forms of discrimination including on the basis of their parents status, the right to adequate living conditions, health and education, the right to not be separated from their parents, and to freedom from violence and exploitation. The rights of children are described in human rights and labour rights treaties, including in the UN Convention on the Rights of the Child.

THE RIGHT TO FREEDOM FROM CHILD LABOUR

Children's human rights comprise the *right to freedom from child labour*. This right includes:

- The right to be free from slavery, sale and trafficking, debt bondage and other forms of forced labour.
- The right to be free from work that deprives children of their childhood, including work that is mentally, physically, socially or morally dangerous and harmful, and work that separates children from their families.
- The right to be free from work that interferes with schooling by depriving children of the opportunity to attend school, obliging them to leave school prematurely, or requiring them to attempt to combine school attendance with excessively long hours and heavy work.

Young people between the ages of 14 and 18 may, in special circumstances, carry out lighter work that will not endanger their health, safety or morals. Whether or not particular forms of work can be called "child labour" depends on the child's age, the type and hours of work performed, the conditions under which it is performed and the objectives pursued by individual countries.