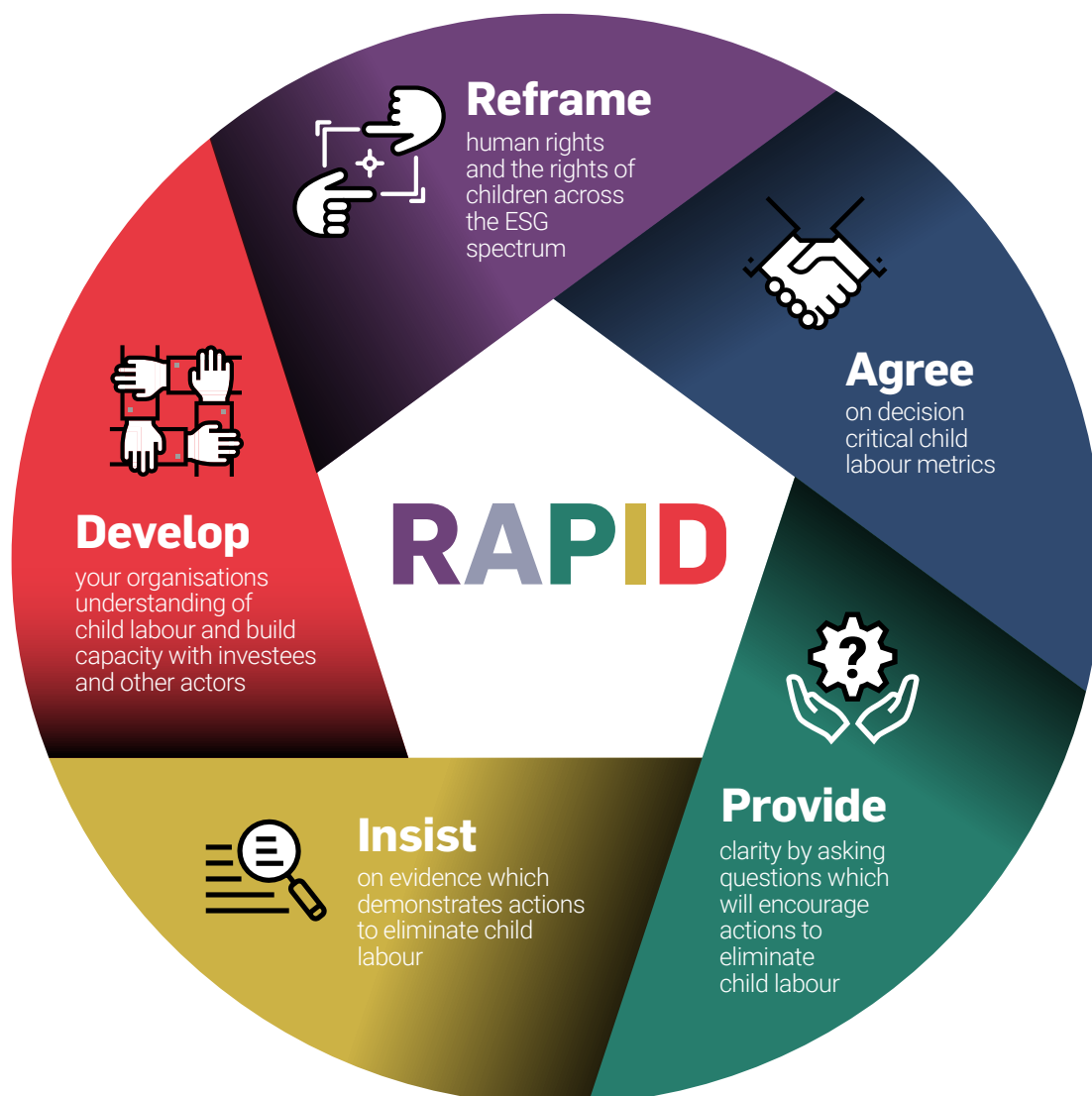


RAPID INSTITUTIONAL INVESTOR GUIDANCE FRAMEWORK FOR THE ELIMINATION OF CHILD LABOUR IN SUPPLY CHAINS

As a leading global financial centre and a leader in the fight against modern slavery, the UK is ideally placed to mobilise the investor community in the fight against child labour. This guidance framework will enable institutional investors to exert appropriate pressure on companies to end child labour in supply chains. It does so by identifying key human rights metrics that investors can incorporate into their investment decisions. It also explores how the required credible data may be secured from companies.

Investor pressure can have a powerful influence on company behaviour, as demonstrated by the ESG movement driving actions on carbon emissions. This has been facilitated by the availability of reliable decision-critical data. UNGC-UKs engagement with investors, and the research of others, highlights that child labour and human rights are not easy for investors to quantify in a manner which aligns with their existing methodologies. In addition, ESG rating systems are designed around investors' current ways of assessing and quantifying risk. They are not designed to identify specific child labour risks and broader human rights risks in supply chains which are material to investors. This is problematic and potentially detrimental in that ratings may suggest that a company is compliant when it is not.



RAPID

Institutional investor guidance framework for the elimination of child labour in supply chains



OUTCOME



REFRAME

Human rights, including child labour, do not sit neatly only within the 'S' of ESG; it is shot across the ESG spectrum. Addressing the 'E' and the 'G' has proven to be significantly easier; data-rich and bound by legislation.

Research identifies the absence of a common approach regarding human rights metrics.

Consider how child labour specifically, and human rights more broadly, is present across the **ESG spectrum**.

Establish what is salient referencing the **UNGPs**.

View through the lense of the proposed Financial Conduct Authorities 'Sustainability Disclosure Requirements (SDR) and investment labels'

Undertake a **double materiality assessment** to understand the impact of your investment decisions on the wider value chain.

Seek to understand both the adverse impact and the potential to advance and support the elimination of child labour specifically, and human rights more broadly.

Guidance Note Child Labour and Responsible Business Conduct June-22

Adopt policies specifically addressing child labour.

Elevate internal strategic dialogue and establish C-suite buy-in.

Engage in multi-lateral dialogue specifically on the elimination of child labour. eg. other investor groups, the ILO Child Labour Platform, child rights organisations, child rights advocates, etc.

Where do we have leverage to support and uphold the rights of children?

Can we clearly communicate our position regarding the elimination of child labour?

How can we best take action to eliminate child labour?

What is our understanding of the 'worst forms of child labour' and where this sits within our portfolio?

Full integration of child labour considerations in screening and investment decisions.



AGREE

Research, including our own, has shown that there has yet to be agreement on decision-critical human rights metrics in a manner which is consistent and supports and upholds human rights in-line with the **UNGPs**.

Broad agreement will bring about consistency of approach to understanding, identifying, remediating, and eliminating child labour.

It will help investors to ask investee companies pertinent questions and motivate them to take clear steps in **supply chains** and the wider **value chain** to eliminate child labour.

Observe the **ILO Fundamental Principles** and Rights at Work.

Observe the **OECD Guidelines on Multi-National Enterprises**.

Become a United Nation's Global Compact Signatory

Become a signatory of the **UN Principles for Responsible Investment**.

Engage with investor platforms on human rights, such as **CCLA Find it, Fix it, Prevent it** and the **Investor Alliance for Human Rights**

Facilitate and promote dialogue with experts and key stakeholders specifically on investor decision-critical data and metrics in relation to the worst forms of child labour.

Engage in **ILO Child Labour Platform** multistakeholder dialogue on decision-critical data and metrics to help establish broad agreement.

What do we consider to be decision critical metrics in relation to child labour?

Where do the worst forms of child labour sit within our portfolio?

How can we get this data?

How can this data be used to eliminate child labour?

Child labour metrics are embedded into decision making.



PROVIDE

Asking pertinent questions will elevate dialogue and increase action to eliminate child labour within investee businesses.

Investor interest will encourage businesses to view human rights and environmental due diligence through the lens of Just Transition; helping to identify both human rights risks and opportunities.

Investor interest will encourage senior leaderships, and CFOs specifically, and senior leadership more boardley, to allocate appropriate resources to human rights activities beyond compliance.

Increasingly ask questions about child labour and the worst forms of child labour in supply chains. Questions are currently directed more towards the 'E'.

Press for executive boards to be remunerated on human rights performance (as many are for environmental performance); improved human rights, including child labour, will lower risks for investors.

Ask for detailed analysis of human rights risks, including child labour, and for clarity on the most salient risks. (It is surprising how many companies have not yet undertaken a detailed analysis.)

Put human rights on a par with climate-related and environmental questions.

Elevate internal strategic dialogue regarding investment risk to children, families, community and the wider supply chain.

Consider how to apply leverage to eliminate child labour.

What questions do we currently ask ourselves and investees regarding child labour and the worst forms of child labour in the supply chain and wider value chain?

How can we ask increasingly pertinent questions which result in clearer analysis, the early identification of risk, timely remediation, prevention and the elimination of child labour?

Accountability is established with clear parameters for child labour; accountability is established.



INSIST

Organisations can and do make various claims regarding ESG performance, including child labour, which cannot always be substantiated.

Requiring specific evidence in the form of analysis, actions, data and metrics to back up activity will have a positive impact on child labour programmes, and their internal funding – CFO is critical in this space. i.e. if no buy-in, then no budget.

Clarity on investee KPIs on human rights.

Question the quality and provenance of data provided.

Where assumptions are made as part of any analysis, question the basis of these assumptions.

Ask for evidence of strategic partnerships and work with in-country implementing partners.

Ask for details of how an organisation analyses its risks.

Ask for details of risk in relation to geography, sectors, commodities, products, etc.

Ask how an organisation determines its salient risks.

Ask how cases of child labour are remediated.

Ask how this risk analysis relates to procurement spend.

Be guided by the **Children's Rights & Business Principles** framework; especially 'All businesses should contribute towards the elimination of child labour, including in all business activities and business relationships.'

Engage with organisations and platforms working with the private sector to eliminate child labour: UNGC, ILO Child Labour Platform.

How has risk analysis informed the investees programme of work to address child labour?

Have instances of child labour been identified and remediated?

Is there an increase or decrease in the instances of child labour identified?

If the risk of child labour is a salient issue and no instances of child labour have been identified, why not?

Transparency is sought and rewarded.



DEVELOP

Our own, and other recent research has shown that there is 'confusion' and inconsistency in investor approaches to child labour in supply chains.

This was also reflected in engagement with ESG rating agencies.

Developing your own organisations understanding and building capacity with other actors will serve to advance the elimination of child labour.

Take action to elevate internal strategic dialogue. Talk about the business case for addressing child labour with your investees, and draw upon existing and forthcoming legislation and the requirements for double materiality.

Engage with authorities on child labour and child rights including expert organisations such as UNICEF, Save the Children, Centre for Child Rights, ILO Child Labour Platform, etc.

Engage with the ILOs Investor Dialogue.

Reassess your own policies and commitments annually and evolve. This is an iterative process that requires year-on-year progress.

Commit resources to building internal capacity.

Build capacity at all levels of the organisation.

Validate your approach by engaging with experts/partners/authorities include various actors: rating agencies, UN agencies, child rights advocates. Engage with organisations who work with those who have lived experience.

Invest in internal human rights expert resources.

Ask pressing questions of those companies in whom you are invested.

Demonstrate leadership by communicating commitments to the elimination of child labour both internally and externally and following through with actions.

Do we have C-suite buy-in?

Do we have appropriate in-house resources?

Has an appropriate budget been made available?

Do we have a clear plan to build capacity within the next 12 months and beyond?

Who would be good strategic partners for us?

How can we best demonstrate our commitment and leadership?

There is active investment in solutions to eliminate child labour.

[Sustainability Investment Labels \(FRC\)](#)

[UNGPs](#)

[Double materiality \(Deloitte resource\)](#)

[ILO Fundamental Principles](#)

[OECD Guidelines](#)

[ILO Child Labour Platform](#)

[UNPRI](#)

[CCLA FFPit](#)

[Children's Rights & Business Principles](#)

NORTH AMERICA

[US Dodd-Frank Act](#)

[US Tariff Act](#)

[Uyghur Forced Labor Prevention Act](#)

[Californian Transparency in Supply Chains Act](#)

[Canada S-211 Fighting Against Forced Labour and Child Labour in Supply Chains Act](#)

[Ombudsperson for Responsible Enterprise \(CORE\)](#)

SOUTH AMERICA

[Central Bank of Brazil Regulation on Social, Environmental and Climate-related Risk Disclosures](#)

EUROPE

[2015 UK Modern Slavery Act](#)

[2017 France Duty of Vigilance Law](#)

[2018 The Netherlands Child Labour Due Diligence Law](#)

[2021 Germany Supply Chain Law](#)

[2021 Norway Transparency Act](#)

[2022 Swiss Due Diligence Legislation](#)

[EU Sustainable Finance Disclosure Regulation/EU Taxonomy](#)

[EU Corporate Sustainability Reporting Directive](#)

PROPOSED

[EU Corporate Sustainability Due Diligence Directive](#)

[Forced Labour Regulation](#)

[Deforestation Regulation](#)

ASIA – PACIFIC

[2018 Australia Modern Slavery Act](#)

[New Zealand Plan of Action against Forced Labour, People Trafficking and Slavery](#)

[Japanese Guidance on Human Rights Due Diligence](#)

PROPOSED

[South Korea Bill on Human Rights and Environmental Protection for Sustainable Business Management](#)

AFRICA

[Sierra Leone Customary Land Rights Act 2022](#)

[Sierra Leone National Land Commission Act 2022](#)

[South Africa Black Economic Empowerment Act](#)

NON-FINANCIAL REPORTING

[B Corporation](#)

[BES 6002 Ethical Labour Sourcing](#)

[Dow Jones Sustainability Index \(DJSI\)](#)

[Equator Principles](#)

[EU Corporate Sustainability Reporting Directive](#)

[EU Sustainable Finance Disclosure Regulation \(SFDR\)](#)

[European Sustainability Reporting Standards \(ESRS\)](#)

[Global Reporting Initiative \(GRI\)](#)

[Integrated Reporting Framework](#)

[International Sustainability Board ISSB S1](#)

[OECD Guidelines for Multinational Enterprises](#)

[Sustainability Disclosure Requirements](#)

[Sustainable Accounting Standards Board \(SASB\)](#)

[Sustainable Development Goals \(SDGs\)](#)

[UN Principles for Responsible Investment](#)

[United Nations Global Compact](#)

[United Nations Guiding Principles on Business and Human Rights](#)

FINANCIAL REPORTING COUNCIL LABELS

[France SRI label](#)

[FRC Sustainability Focus](#)

[FRC Sustainability Impact](#)

[FRC Sustainability Improvers](#)

[FRC Sustainability Mixed Goals](#)

[LuxFlag ESG](#)

SUPPORTING FRAMEWORKS

[Child Labour Platform](#)

[Corporate Human Rights Benchmark](#)

[Investor Alliance for Human Rights](#)

[ISO 26000](#)

[ISS ESG Modern Slavery Scorecard](#)

[The Investor Forum](#) – Modern Slavery: Toolkit for Investor Due Diligence

[UNICEF](#) – Children's Rights in Sustainability Reporting

[Social Value UK](#)