



NORGES BANK
INVESTMENT MANAGEMENT

Children's rights

Expectations of companies



Norges Bank Investment Management manages the assets of the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. As a long-term and global financial investor, we are dependent on sustainable development, well-functioning markets and good corporate governance.

Our expectation documents set out how we expect companies to manage various environmental and social matters. Our expectations are based on internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises and other topic-specific standards. This document serves as a starting point for our interaction with companies on children's rights. We expect companies to address this topic in a manner meaningful to their business model and wish to support them in their efforts.

Our expectations are primarily directed at company boards. Boards should understand the broader environmental and social consequences of company operations, taking into account the interests of relevant stakeholders. They must set their own priorities and account for the associated outcomes. Companies should pursue relevant opportunities and address significant risks. They should report financially material information to investors, and broader impacts as appropriate. Boards should effectively guide and review company management in these efforts.

Children's rights

Companies have a responsibility to respect children's human rights. They may impact children's rights in several ways through their business operations and supply chains, their community interactions and the marketing and use of their products and services. Respecting children's rights is an inherent part of good business practice and risk management. We expect companies to integrate children's rights into their policies, corporate strategy, risk management and reporting.

The fund holds a diversified portfolio across sectors and markets. The long-term legitimacy of those sectors and markets depends, among other things, on operations, products and services 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 is perhaps the single largest 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) from 2017 show some 152 million children in child labour, including 73 million engaged in hazardous work.¹ Other areas in which companies may have positive and negative impacts on children's rights include abuse, education, decent work opportunities and living wages for young workers, parents and carers, health care, clean water, food, the right not to be estranged from

family, as well as safety of products and services and responsible marketing towards children.

Children are entitled to all human rights. Under international law, the legal obligation to protect children's human rights rests with governments. It is, however, broadly accepted that companies have a responsibility to respect human rights, including in supply chains and business relationships. Legally binding international instruments such as the UN Convention on the Rights of the Child with protocols² and the relevant ILO conventions³ set out the full range of children's rights. Guidance for companies on how to approach this topic can be found in the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the Children's Rights and Business Principles. The Guiding Principles establish a clear normative starting point for companies' human rights strategies. The Children's Rights and Business Principles provide a basic reference point for business action to respect and support children's rights.

1 Global Estimates of Child Labour, Results and Trends, 2012-2016, International Labour Office, 2017.

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

3 ILO Conventions 182 (Worst Forms of Child Labour) and 138 (Minimum Age).

In line with the Guiding Principles, companies should conduct ongoing human rights due diligence to identify, prevent, mitigate and account for how they address adverse human rights impacts. It follows from the Guiding Principles 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 saliency of issues.

Respecting children's rights is 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 abuses may have negative business implications.

Our expectations are directed at 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, and for companies that make products or offer services for children. The issue of children's rights requires a broad understanding and response from companies.⁴ 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.

We expect companies to be transparent about the topics raised in this document, including, as far as possible, the dilemmas they face and priorities they set in their efforts to respect children's rights. Appropriate and timely reporting and measurable data are important in this regard. For selected companies, we use such information to assess their children's rights risk exposure, management and performance.

A.
Integrate children's rights into policies and strategy

- Companies should understand both the social and business implications of children's rights and integrate findings into their strategic business planning.
- Companies should make a public commitment and, where relevant, define a strategy and adopt policies regarding respect for children's rights, including in particular the right to be free from child labour.
- Company strategy should align with the UN Guiding Principles on Business and Human Rights and at the same time be meaningful in the context of company operations, including supply chains and other business relationships.
- Companies should adopt strategies and policies based on international principles, industry standards and best practices addressing children's rights.

⁴ 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.

- Company policies should include measures for identification and, where appropriate, prevention, mitigation and remediation of adverse children's rights impacts from direct operations, supply chains and other business relationships, as well as from products, services and marketing.
- Companies should regularly consider whether their organisational structure, incentive systems, training programmes and wider company culture integrate sustainable business practices appropriately. Employees and contractors should be engaged in these efforts and made aware of company policies and practices.
- Companies could seek to identify opportunities for promoting children's rights.
- Companies should recognise that the well-being of children is also contingent on the well-being of adult employees as their carers.
- Companies may consider putting in place a mechanism for third-party expert input into their children's rights strategies and policies. This should not replace appropriate internal processes, roles and responsibilities.

B.

Integrate salient children's rights into risk management

- Companies should identify and assess salient⁵ risks related to children's rights in their business operations, supply chains (including raw material sourcing) and other business relationships, as well as the marketing and use of products and services.
- Companies should specify actions to address identified risks, including through cessation, prevention, mitigation and remediation of adverse children's rights impacts.
- In setting priorities, companies should be guided by the size, nature and context of their operations and the severity of the risks of adverse impacts on children's rights.
- Companies should, where relevant, define qualitative and quantitative indicators that enable monitoring and tracking of abuses of children's rights. The performance of preventive and corrective actions should be tracked.
- Companies should carry out relevant impact and risk assessments before, for example, making significant investments in new business activities, agreeing mergers and acquisitions, entering 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.

⁵ Guidance on identifying salient risks can be found at: www.ungreporting.org/reporting-framework/defining-a-focus-of-reporting/statement-of-salient-issues/.

C.

Report on salient children's rights

- Companies should publicly disclose their children's rights commitment, strategy, policies and processes and report on their implementation of the UN Guiding Principles on Business and Human Rights and other relevant international standards.
- Companies should, for example, disclose action plans, governance structures, operational procedures, risk and impact assessments, and information about stakeholder relationships and remediation processes, where appropriate.
- Companies should ensure that information is communicated in a relevant and accessible manner, which demonstrates explicit and active commitment from senior management.
- Companies should identify, monitor and report on the status of relevant topics. Performance reporting should, where appropriate, use metrics that enable year-on-year comparison in line with applicable internationally accepted reporting standards or initiatives.
- 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 dilemmas they face and priorities they set.
- Where appropriate, companies should report the above information for supply chains and other business relationships, taking a full value-chain perspective.⁶

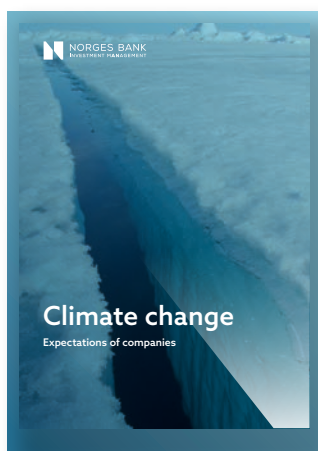
D.

Engage transparently and responsibly on children's rights, including through grievance mechanisms

- 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, where relevant, engage with industry peers, business partners and local stakeholders on children's rights issues. This applies both in collecting the necessary information and research, and in developing preventive and corrective action plans.
- Companies should establish or participate in effective and accessible operational-level grievance mechanisms for alleged negative impacts on children's rights arising from their direct operations, supply chains and other business relationships.

⁶ Companies should, for example, report on how they intend to abolish practices that are inconsistent with ILO Conventions 182 (Worst Forms of Child Labour) and 138 (Minimum Age) in their direct operations and their supply chain, including raw material sourcing.

See our website www.nbim.no for a full and updated list of our expectations on sustainability topics.





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