Using Finance as a Tool to Promote and Protect Child Rights
This is a conversation about imagination...

If the global systems of finance were asking questions, hard questions about child rights in the companies, countries, and economic sectors they invest...

If those investing in innovation in the design of smart cities, technologies like blockchain or big data, or supply chains in agriculture expected awareness of and accommodation to the risks of child rights...

If we judged the impact and the potential of businesses based on their ability to reduce risks to children in the organization’s operations or supply chain...

If child rights violations were seen as a ubiquitous, material risk in finance, like climate change is seen now...

What would then be possible?
More than 80 Opportunities

We have identified more than 80 opportunities where we can use investments or systems of finance to promote and protect child rights.

We will continue to develop these opportunities in partnership with experts in child rights and with asset managers and asset holders over the coming year. Some of these opportunities are already in place or in development; some will need to be designed from scratch. Criterion will work with our partners to mobilize resources, advance thinking, and move to action.

The opportunities are organized into five strategies for using finance to create social change. The aim is to spark imagination, to paint a picture of what could be possible, whether that’s a shift in dynamics, a change in influence, or what new solutions might look like, even if there isn’t yet a detailed plan for implementation. Each of the strategies acknowledges a set of assumptions about how power operates in finance, creating a theory of change about how finance can be used to create social change.
The Five Strategies

1. **Mobilize resources** to invest in companies that are directly promoting and protecting child rights and remove capital from those who are contributing to the incidence child rights violations.

2. **Measure the outcome** and impact of companies and investments on child rights and thereby exert pressure either on companies or investors to take action.

3. Advocate for an analysis of how child rights can inform the analysis of risk and opportunity within investment decision-making.

4. **Realign power through structures and terms** to address the impact of the investment on child rights over the length of the investment.

5. **Build expert knowledge of child rights into the core processes** that drive how finance operates and align with the business model and incentives that drive profitability.
1 Mobilize Resources

Invest in companies that are directly promoting or protecting child rights and remove capital from those who are contributing to the incidence of child rights violations.

Assumptions within a theory of change:

• Companies can directly affect child rights, both positively and negatively.
• Investment (debt or equity) into those companies will increase their impact through the growth or stability of their operations.
• While these investments may have a range of expected returns, more capital will move if the risk/return profile matches typical expectations from investments.
Mobilize Resources: Examples

**Divest from companies that are actively contributing to the root causes and incidence of child rights violations to name, shame, and shape practices in companies.**
- Design/use an index highlighting the good and bad actors in child rights and labor.
- Build a divest/invest strategy based on a single or cluster of indicators relevant to child rights.
- Divest from companies that use unethical marketing practices of unhealthy food and beverages to children.
- Divest from companies that violate the International Code on Marketing of Breastmilk Substitutes.
- Divest from companies that include tobacco, alcohol, weapons, gambling, adult content, and companies that violate international humanitarian and human rights law.

**Finance companies that are instituting process innovations in sectors/industries with high incidence of child rights violations.**
- Investments in innovation in agriculture, domestic work, supply chain, mining, and textiles. For example, investments in agriculture technologies that intentionally reduce the reliance on child farm workers.
- Invest in companies that are working to make the Internet and mobile technology safer for children and/or follow the recommendations in UNICEF’s Children and Digital Marketing Toolkit.
- Job creation in alternatives for industries that have high risk of child labor, e.g., a shift away from mining practices that rely on low wages and unpaid labor.

**Invest in companies that contribute to promoting and protecting child rights in the environment and associated factors that contribute to curbing the incidence and impact of child neglect and maltreatment.**
- Screen for companies that affect the rights of children to clean water and/or safe food.
- Screen for companies that increase pollution in areas where children live or play or where environmental damage or land use may compromise their family’s livelihoods (e.g. local farming).
- Work with donor agencies that have explicit goals related to child protection to up the game in child lens investing and ensure that private sector investments incorporate attention to child rights.

**Invest in apps that report on modern slavery and human trafficking.**
- Apps like Safe Car Wash, Farm Work Welfare, and Unseen/Modern Slavery Helpline are designed to report suspicions and ask for help.
- Apps like Farmer Connect provides end-to-end traceability solutions in food and agriculture supply chains to end child labour.
Mobilize Resources: Examples

Build a model portfolio of direct investments with debt or equity in companies that demonstrate the range of opportunities to address child rights.

- Invest in companies that have child friendly working conditions policies, such as paternity leave, paid sick leave, flexible work arrangements, breastfeeding support, health and safety accommodations for pregnant women and young workers, and access to quality childcare.
- Invest in companies that have child friendly diversity and inclusion policies that prevent discrimination on the basis of pregnancy and family status and ensure adequate wages that are sufficient for workers to support themselves and their dependent children.
- Invest in companies that have strong child safeguarding practices and demonstrate a commitment to promoting and protecting children’s rights.
- Invest in companies that integrate innovations to promote and protect child rights such as integrating training on child safeguarding into delivery of mobile money services (e.g. MTN’s MoMo agents).

Aggregate providers in service companies that respond to or seek to prevent child rights violations but that do not traditionally have access to (appropriate) capital.

- Create an investment vehicle to finance practitioners who offer child protection and/or safeguarding training, or prenatal home visit programs to mitigate child maltreatment.
- Design effective financing for homeless shelters—invest in real estate as well as in cash products/services they provide. For example, use a Calvert note to provide debt to nonprofits working on affordable housing.

Invest in creative companies that employ a child rights investment lens to promote child protection.

- Invest in ad agencies that have robust standards for ethical engagement with children and families.
- Invest in companies/ad agencies that adhere to the American Psychological Association policy on advertising and children or the Canadian Marketing Code of Ethics and Standards, or similar.
- Identify and invest in media companies that prioritize child protection and include educational messages on child rights/protection or education on specific child risks such as child trafficking.
Inform the Analysis of Risk and Opportunity

Advocate for an analysis of how child rights can inform the analysis of risk and opportunity within investment decision-making.

Assumptions:

- Fundamentally, finance is a system that assigns value. It determines and assigns a price based on a calculation of risk and return over time. Of these three, often the most important is risk.
- Investors make bets on the future. Therefore, having a prediction of how patterns may change in the future matters.
- The impact of this strategy creates the possibility to influence the actions of companies and to shape government and civil society. What finance values matters to others, particularly governments, which can take action and make a difference in promoting and protecting child rights.
Inform the Analysis of Risk and Opportunity: Risk Identification Examples

Create methodologies for seeing child rights violations as a reputational, regulatory, or operating risk.

- Conduct a child safeguarding risk assessment, such as using the Out of the Shadows Index or ILO’s Child Labour Guidance Tool for Business and put in place a child safeguarding risk mitigation plan specific to potential impacts of the specific investment, including related to the risk environment in the operating country.
- Integrate analysis of child rights into due diligence, such as using UNICEF’s Tool for Investors on Integrating Children’s Rights into ESG Assessment. This includes assessing activities, operations, and supply chains of companies and identifying any child safeguarding risks they may pose (e.g. child labor, hazardous working conditions, or exposure to harmful products or services).
- Failure to uphold children’s rights can lead to detrimental effects on competitiveness, including reputation loss, financial loss, and the potential for legal action.
- Companies engaging in marketing practices that promote harmful products to children, employ inappropriate targeting tactics towards children, or exploit and harm children in their marketing materials, are subject to growing legal and reputational risks.
- Companies discovered to utilize or profit from child labor or trafficking encounter severe repercussions such as divestment and being ‘blacklisted’ by investors, facing a significant reputational backlash, consumer boycotts, as well as legal consequences such as fines and sanctions.
- Global Child Forum data suggests that companies that are better at addressing their impact on children have lower staff turnover, attract higher quality workforce, effectively manage their brand reputation and value, ensure a sustainable supply of goods, discover new opportunities and provide better support to their future workforce as they mature and learn.

Create methodologies for seeing child rights violations as a market risk affecting all geographies, sectors, and industries. The materiality of child rights in finance will affect the relative priority of the issue with governments, which is needed to drive action.

- Use the Children’s Rights and Business Atlas or compile data by industry to isolate the market risk child rights violations present and test with common methodologies for investing in public equities.
- Identify child rights violation hot spots (similar to climate hot spots) and use them to inform risk analysis.
- Determine how to appropriately value risk within the informal sector. The risk here may be overvalued.

Advocate with financial institutions to see child rights as material in financial instruments that assess the risk of a country, region, city, or municipality. Higher risk ratings increase costs or reduce the desirability of the investment and therefore pressure governments to respond.

- Shape the underwriting of political risk insurance (for example, the products offered by the Overseas Private Investment Corporation to introduce child maltreatment and abuse as a material risk).
- Develop municipal bonds tied to incidence of domestic violence or child maltreatment cases. Influence rating agencies to shift ratings (and thus change prices) based on domestic violence and/or child maltreatment incidence rates.
Inform the Analysis of Risk and Opportunity: Risk Quantification Examples

Predict short-term changes to cultural acceptance of child rights and the resulting intolerance of violations.
- Identify industries with structural issues that could lead to publicity on child rights violations. These risks might lead to a storehouse of risk in deferred lawsuits or the potential of a class-action lawsuit.
- Identify the characteristics of a geography that may be primed for political pressure, or a child rights movement. For example, climate protests in Europe.
- Predict the effects on companies/sectors/etc., businesses when they play an instrumental role in empowering and educating children and supporting the fulfillment of their rights. This can lead to profit opportunities and a chance to build brand recognition and appreciation among children and parents. Regardless, universal ownership, responsible investment, and fiduciary duties are all undeniably linked to ensuring that children are holistically appreciated and accounted for. Not doing so can greatly cost companies as they fall behind on the investment curve and must quickly catch up.

Invest in a long-term strategy that would capture the upside and avoid the downside risk of a future where child rights violations are significantly reduced.
- Identify industries that would experience decline because of structural or cultural acceptance or wide-spread incidence of child labor.
- Identify companies that have child rights baked into their design that would be fundamentally affected if child rights violation rates dropped.
- Identify companies with the ability to adapt to future, long-term changes in child rights violations prevalence.
- Identify companies that are undervalued and would succeed if child rights violations were reduced.

Translate costing data on child rights violations into analysis of material risks for industries/sectors. In particular, partner with investment managers that value exposure to chronic risk within their methodologies.
- Break out costs of presenteeism/absenteeism by sector and geography to increase specificity and isolate specific risks.
Realign power through structures and terms to address the impact of the investment on child rights over the length of the investment.

Assumptions within a theory of change:

• Investments are more than the valuation; they are made possible through a set of institutions, legal structures, instruments, documents and terms that shape how the investment operates into the future.
• There is significant power in these terms to shape behaviors now and into the future. The contracts that are set up through investments stay in place through the life of the investment and often beyond.
• Before the materiality of child rights and child lens investing is proven out conclusively to those in finance, structures and terms can be used to incent capital to move, and can be the early demonstrations that test hypotheses.
Realign Power Through Structures and Terms: Examples

Incentivize creators/developers to adopt best practices around child rights and build them into structures and terms.

• If due diligence reveals child rights risks, integrate mitigation requirements/strategies into structures and terms. Eg. include terms for new child safeguarding policies to be put in place. Consider including terms that integrate strategies such as the Green Dot Violence Prevention Strategy.

• Regularly monitor the child safeguarding performance of your investments by requiring companies to regularly evaluate and report on adherence to child protection standards and indicators. The GRI Guidelines provide reporting principles on how to report on implementation of the Children’s Rights and Business Principles.

• Require proper reporting and disclosure of child safeguarding efforts and progress to investors, stakeholders, and the public.

• Build covenants to ensure the practices of housing developers do not further child maltreatment (e.g., no evictions for noise complaints). Work to have these risks seen as material to housing investments.

• Influence the design of online environments that prevent misuse of children’s online data and privacy (e.g., privacy, digital data, and social media practices).

• Build accountability for impact on child rights through pay for success for child-responsive infrastructure, like safe schools.

• Structure risk mitigation strategies into investments in underwater telecommunications cables to address the impact on online child abuse through increased communications access.

Use blended finance vehicles to shape the practices of investments in infrastructure and other projects.

• Engage governments to require an analysis of Safe Cities within the design of Smart Cities around the world.

• Incorporate a child lens in the design of investment strategy into ASEAN Smart Cities, in particular looking at open data systems and the innovations that can come from the use of such data in a way that can incorporate child rights.

Create investment vehicles that provide trade finance or other financing of commodities that can shift power dynamics in supply chains to disrupt children’s exploitation built into the transactions within a supply chain.

• Explore the practices of sexual exploitation in the seaweed or rice supply chains in Southeast Asia.

• Assess the potential for using financial instruments to curb the “sex for fish” patterns in fishery supply chains around Lake Victoria.
4 Build Expert Knowledge into Core Processes

Build expert knowledge of child rights into the core processes that drive how finance operates and align with the business model and incentives that drive profitability.

Assumptions within a theory of change:

• Relationships in finance rely on trust. Systems of investments are created to standardize processes and measures, and thereby secure trust within markets.
• Finance has business models which are driven by the cost of transactions and the revenue from fees. Those business models then drive the processes and roles. To shift systems of finance requires a recognition of the drivers in the business model.
• Process measures are an effective early indicator for ensuring that capital is deployed to create desired outcomes on child rights.
Build Expert Knowledge into Core Processes: Examples

Integrate assumptions about child rights violations as a material risk into investment processes in early stage and growth companies.

- Influence assessment of risk for Directors and Officers Insurance to incorporate child rights as material.
- Create a tool to support due diligence questions, including a child safeguarding screening, that can surface financial risk incurred by child rights violations in early-stage/growth SMEs.
- Join the ILO’s Child Labour Platform to track innovations in processes that prevent child labour in internal operations and supply chains.

Build analysis of child rights into standards in different industries and core reporting requirements.

- Amplify the work with the GIIN on child lens metrics (including metrics on child rights) to affect other impact investing metrics.
- Pressure B Lab to incorporate child rights metrics into certification process for B corporations.
- Expand conversations with SASB about including standards on child rights in reporting structures.

Create process metrics for donor agencies (and other funders providing concessory funding) around their investments going into private sector/impact investments.

- Track the processes that impact investment funds put in place to mitigate the risk of child rights violations, including integrating Protection from Sexual Exploitation and Abuse (PSEA), in their own operations and in the operations of the companies in which they invest.
- Track the dedicated child safeguarding policies, designed by child rights experts, that are put in place or integrated into existing responsible investment or ESG policies.

Integrate post-investment support to strengthen child safeguarding in portfolio companies.

- Track processes where technical assistance is provided to portfolio companies on child safeguarding.

Increase deal flow for companies making a difference on child rights.

- Create an accelerator for innovators working on neuroplasticity who are seeking to identify investable interventions to reverse trauma related to child and/or sexual abuse.
- Use challenges to spur entrepreneurs to solve for specific risks of child labor in value chains, industries, or sectors. For example, design an apprenticeship program to reduce the rate of hazardous child labor in the 15–17 age group by offering a decent work alternative.
- Design an accelerator for financial technologies that focuses design on the positive and negative impacts of innovative financial technologies on child rights.

Reduce children’s exposure to intimate partner violence by shifting processes in banks to allow for compassionate responses to domestic violence and other forms of child abuse.

- Document National Australian Bank’s NAB Assist practices as a case study. As a result of giving hardship extensions and appropriate links to services, they saved A$70M in the first year and A$200M in the second year of a pilot.
- Spur other innovations in banking and financial services that allow people the freedom to walk away from abusive situations.

Increase the availability of data about material risks of child rights violations within ESG research organizations.

- Promote the incorporation of current UNICEF and Sustainalytics research on Integrating Children’s Rights into Investment Decision Making or children’s and business practices within ESG risks.
Measure the outcome and impact of companies and investments on child rights and thereby exert pressure either on companies or investors to take action.

Assumptions within a theory of change:

- As the old adage says, what is measured matters.
- This strategy requires that investors or wealth holders express a particular intent to have their investments create a positive impact or avoid negative impact. As a result, they are able to put pressure on their managers or directly on the companies they are invested in to achieve the goals they seek.
- Pressure from investors or visible shaming can shift the practices of companies.
- Sustainable or impact investors may not be focused on child rights but would not want to have a negative impact on the issue.
Integrate child rights, specifically child safeguarding, into metrics systems in impact investing and gender lens investing.

• Organize investors to collectively enhance/design a benchmark on child safeguarding within publicly traded companies.
• Build metric sets on child rights as a part of commonly used metric systems like the Global Impact Investing Network’s Navigating Impact metrics.
• Identify and include appropriate impact metrics related to child rights in multi-dimensional and contextual impact outcomes like women’s economic empowerment.

Assess mobile tech apps for intended and unintended consequences on child rights and educate investors intentionally seeking impact in this area.

• EdTech: evaluate children’s online education technologies for unintended consequences that claim to improve child development outcomes.
• Identify tech interventions for transparency in companies and supply chains to ensure they are incorporating child rights considerations in a sophisticated way.

Work with climate finance to ensure that child rights are considered in investments that mitigate climate change.

• Child labor is prevalent in extractive industries and agriculture: measure the impact on child rights of investment in alternative energy and agricultural solutions.
• Opportunity to analyze ways to use finance to intervene—for example, investing in aquaculture in ways that diminish the prevalence of child labor.

Incorporate existing child rights data and indices to create an index that ranks companies based on their impact on child rights/protection.

• Work with partners like Global Child Forum to assess the state of child rights and business practices.
• Create a strategy identifying who the good and bad actors are on child rights and labor (naming and shaming or naming and praising).
• Build a divest/invest movement based on a single or cluster of indicators related to child rights.

Assess impact investments in social issues that have unintended consequences related to child rights.

• Education: assess design and safety of schools as well as the materials used in the classroom (e.g., do the textbooks promote retrograde gender norms?).
• Humanitarian: assess investments in products and services going to displaced persons camps to ensure the safety and protection of children and families.
• Investments that contribute to workforce development or economic empowerment: assess the design of initiatives of a company or a fund to ensure that unintended consequences related to acceptable work and working conditions are taken into account.

Measure the Outcome: Examples
These insights, supported by UNICEF, represent a start to the conversation – an expansion of ideas of what might be possible for using finance to protect and promote child rights.

We invite you to use these ideas as a starting point and join us in imagining what else is possible for delivering on a future that has been innovated for and with children.

Thank You!