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Switzerland & Liechtenstein

Children's Rights and Finance

How the Swiss and Liechtenstein financial industry can promote and protect children's rights

Authorship

This study was commissioned by UNICEF Switzerland and Liechtenstein and the UN Global Compact Network Switzerland and Liechtenstein. It was conducted under the guidance of Linda Deflorin-Karrer, Senior Manager Child Rights and Business (UNICEF Switzerland and Liechtenstein), and Alice Harbach-Forel, Head of Programmes (UN Global Compact Network Switzerland and Liechtenstein).

We thank our implementation partner ECOFACT AG for carrying out this study. Special thanks go to Bruno Bischoff, the project lead, and Olivier Jaeggi, Maria Castillo and Sarah Speers Mungioli for their contributions.

Acknowledgements

UNICEF Switzerland and Liechtenstein and the UN Global Compact Network Switzerland and Liechtenstein would like to thank the financial institutions and other key stakeholders in the ESG world whose insights and experiences shaped this study. Their contributions were invaluable and appreciated:

Vincent Kaufmann and Matthias Narr (Ethos Fund); Rémy Friedmann and Martin Roch (Federal Department of Foreign Affairs, Switzerland); Kaspar Hartmann (Helvetia Group); Daniel Wild (J. Safra Sarasin); Marilou Jobin (Postfinance); Nina Fakner and Fabienne Fricker (Raiffeisen Group); Sabine Döbeli (Swiss Sustainable Finance); Francisco Biber, Eric Nyman and Florian Morales (UNICEF); Samuel Wille (UNICEF Switzerland and Liechtenstein); Marit Kruthoff and Jacob Messina (Zürcher Kantonalbank); Ania Zongollowicz.

Published in November 2024

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Global Compact Network Switzerland & Liechtenstein

ECO:FACT

Imprint
Editor: UNICEF Switzerland and Liechtenstein and UN Global Compact Network Switzerland and Liechtenstein
Layout and Illustrations: Büro Haeberli, Zürich

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Foreword

How are children's rights connected to the financial industry in Switzerland and Liechtenstein? In more ways than one might think. Swiss and Liechtenstein financial institutions make decisions about lending, investing, and insurance underwriting that affect companies in every sector. Their decisions impact the lives of countless children worldwide — often profoundly — for better and for worse.

This study highlights that financial institutions in Switzerland and Liechtenstein have made progress in recognizing their responsibility to respect human rights. However, they have yet to comprehensively integrate children's rights, beyond child labour considerations, into their strategies, governance and operations.

Swiss and Liechtenstein financial institutions have the power to go beyond risk mitigation and actively contribute to improving the present and future of our children. They can do this, for example, by promoting children's rights through stewardship and engagement with clients and investee companies, by creating innovative new products that focus on children, or by striving for a just and inclusive net-zero transition.

The time for change is now. This study provides practical recommendations on how banks, asset and wealth managers, and insurance companies can shape their governance and strategy, risk management, and products and services. in ways that respect and promote children's rights, and it suggests ways in which other stakeholders can support this work. UNICEF invites all actors to build a world where children are seen as an important stakeholder group and an integral part of the economic landscape. Let's create a brighter today and tomorrow for everyone.

I wish you insightful reading.

Bettina Junker,
Executive Director, UNICEF Switzerland
and Liechtenstein

The financial industry plays a pivotal role in shaping the economy and society. In Switzerland and Liechtenstein, financial institutions are uniquely positioned to drive positive change — not just by managing risks but by actively contributing to a better future for all. The UN Global Compact Network Switzerland and Liechtenstein believes the finance sector is essential to advancing decent work and social sustainability. The sector is also vital to addressing human rights challenges, including those involving the respect of children's rights.

This study underscores the need to strengthen the "S" in ESG. It emphasizes that social sustainability requires the same level of importance as environmental and governance factors. Children's rights are closely connected to topics such as fair wages, climate change and corruption. As children are a vulnerable group, their rights should be prioritized, since the financial decisions of others can greatly affect their lives.

Swiss and Liechtenstein financial institutions can use their significant influence to ensure that companies integrate children's rights in their business strategies and operations. Financial actors can help solve global challenges, including inequality and environmental sustainability, by promoting children as key stakeholders when fostering stewardship and engaging with clients.

The UN Global Compact Network Switzerland and Liechtenstein is proud to be part of this important work. We invite everyone to harness the power of finance to create a more just and inclusive world, one where children's rights are not just considered, but truly championed.

Together, we can shape a brighter future for generations to come.

Antonio Hautle,
Executive Director, UN Global Compact
Network Switzerland and Liechtenstein

Executive summary and recommendations

This is the first study of how key players in the Swiss and Liechtenstein financial industries – banks, wealth and asset managers, and insurance companies – can affect the lives and uphold the rights of children. This study focuses on lending, investment and underwriting business with the goal to improve awareness of the corporate responsibility to respect and promote children's rights. It aims to emphasize the significance of children as stakeholders in the financial industry's activities and to highlight how financial institutions' decisions concerning governance, strategy, risk management and products and services can have positive or negative impacts on children. Finally, this study provides practical recommendations on how Swiss and Liechtenstein financial institutions can promote and protect children's rights.

> *"Financial institutions play a critical role in shaping the world we live in. They must take into account the impact of their investments on children's rights and ensure their operations do not contribute to violations of these rights."*
>
> **Mary Robinson,** former President of Ireland and former UN High Commissioner for Human Rights

Impact and importance

The financial industries of Switzerland and Liechtenstein play a key role in the global and domestic economies. In Switzerland, the financial sector generates 9 per cent of the country's gross domestic product (GDP) and employs approximately 218,000 people full-time. In Liechtenstein, the financial sector is responsible for more than 21 per cent of the country's GDP and 11 per cent of all jobs.

The Swiss and Liechtenstein financial industries can affect children in many ways, both positively and negatively, because their business activities are global and involve a diversity of sectors. Examples of positive impacts include improving children's lives, health or education by offering sustainable or thematic investment products, offering children's savings accounts or age-appropriate financial education, or financing properties which are child-safe. However, they can also negatively affect children's lives by, for example, lending to companies that do not pay their workers a living wage, investing in companies that employ children for hazardous work or insuring projects which require resettling communities of vulnerable people including children.

Limited awareness and perceived materiality

Although most of the financial institutions in Switzerland and Liechtenstein that were part of this study acknowledge their responsibility to respect human rights, they are not sufficiently aware of or taking action to uphold children's rights beyond the issue of child labour. Children are a third of the world's population, and they have the right to have their perspectives considered in decisions that affect them. Our research indicates there is a tendency to view children's rights as a subset of human rights within global supply chains. This narrow perspective can lead to financial institutions failing to comprehensively address children's rights when pursuing their own business agendas.

Moreover, children's rights are perceived to not be sufficiently material for the financial sector and are competing with other important sustainability topics that have financial institutions' fuller attention, such as climate change, nature, and diversity. In addition, children's rights considerations are seen as difficult to implement due to the broad scope of the topic, insufficient data, perceived lack of leverage, and limited internal resources.

Opportunities for improvement

In spite of these limitations, financial institutions are well-positioned to improve the situation of children. They can collaborate with expert organizations to build the knowledge they may lack and increase their awareness of children's specific vulnerabilities and needs. They can integrate children's rights into their core business activities and use their leverage to influence the companies they invest in or engage with as lenders or insurers. They can expand the sustainable finance approaches observed among all analysed financial institutions to make them less isolated and more strategic. In doing so, financial institutions can use their essential role in both national and international economies to achieve positive outcomes for children.

Recommendations

This study is based on international standards and best practice guidance, a comprehensive analysis of 30 Swiss and Liechtenstein financial institutions' publicly reported commitments and actions regarding children's rights, and interviews with six financial institutions headquartered in Switzerland and Liechtenstein. This research has yielded the following key recommendations to banks, wealth and asset managers, insurance companies, and other important stakeholders in the financial industry.

Recommendations to financial institutions

1
Apply a 'child-lens approach' to governance, strategy, risk management, and products and services, and commit to upholding children's rights

Intentionally consider child-related factors to advance positive outcomes for children while minimizing harm to them. Recognize children as a particularly vulnerable stakeholder group, for example, in the context of climate change, and purposefully consider their rights in climate strategies and when assessing climate risks and opportunities. A child-lens approach becomes even more significant when financial institutions publicly commit to respecting the rights of children beyond just child labour.

2
Consider children's rights in the double-materiality assessment and disclose accordingly

Consciously consider children's rights in the financial institution's double-materiality assessment. To this end, children's rights can be explicitly included as part of human rights by applying a 'child-lens' approach. If concerns about children's rights are identified as material, disclose on this matter in the institution's reporting, describing the connections to children's rights, potential positive and negative impacts, risks and opportunities, and the measures taken by the financial institution to address these.

3
Recognize the positive and negative impacts of all financial products and services on children (directly and indirectly via parents and caregivers); when material adverse impacts are possible, conduct due diligence

Consider how financial products and services could potentially impact children, their parents and caregivers, or their community and the environment. Corporate loans to, investments in, or insurance underwriting for companies in sensitive sectors can link financial institutions to such impacts. Conduct due diligence in line with the **United Nations Guiding Principles on Business and Human Rights** (UNGPs)[1] and the OECD Guidelines for Multinational **Enterprises on Responsible Business Conduct** (OECD MNE Guidelines),[2] using the indicators recommended in UNICEF's **Tool for Investors on Integrating Children's Rights into ESG Assessment**.[3] When offering products and services to children as clients, for example savings accounts and payment solutions, consider potential adverse impacts such as overspending, purchase of unsuitable online content or excessive risk-taking.

4
As part of sustainable finance or environmental, social and governance (ESG) investing strategies, conduct positive screening to identify companies with above-average performance in relation to children's rights and create innovative products

Incentivize child-positive outcomes by developing credible sustainability-linked loan or bond structures. Invest in companies which make positive contributions to the lives of children, prioritize human rights, or promote practices that are beneficial to families such as family-friendly workplace policies. Create innovative thematic investment opportunities that pursue positive outcomes for children and direct capital to companies that provide services that directly benefit children, such as education, health care, or child-appropriate food products (e.g., impact investing or investing aligned with the UN Sustainable Development Goals (SDG), social impact bonds, or blended finance structures).

5
Improve stewardship and engagement with clients and investee companies to promote children's rights

Look for opportunities to proactively engage with clients and investee companies to improve their business practices and advocate for children's rights. For example, include specific, measurable and time-bound conditions for improvement in the terms of loans or insurance coverage. Do not simply exclude business with clients and investees which present high risk of exposure to child labour and that have weak due diligence to mitigate such risks. Instead, use or increase leverage with clients and investees to influence how they identify and address child labour and children's rights in general.

6
Include children's and human rights considerations in the financial institution's net-zero transition plan and strive for a just and inclusive transition

Develop and implement your climate transition strategy in a just and inclusive way, considering the fundamental rights of people affected by the resulting developments, especially those that are most vulnerable, such as children. Avoid unintended consequences and adverse impacts on children's rights (e.g., caregivers losing income because industries and jobs disappear, child labour associated with the extraction of critical materials for the green transition). Take advantage of opportunities to invest in climate adaptation in local communities, which can help to build resilient ecosystems, societies and livelihoods.

7
Participate in multi-stakeholder initiatives to increase leverage and seek expertise to promote children's rights

Increase the leverage of an individual bank, wealth or asset manager, or insurance company by jointly engaging with other financial institutions and companies (ensuring compliance with applicable anti-trust/anti-competition regulations). Participate in key business initiatives that advocate for children's rights, including multi-stakeholder initiatives, and seek support from UNICEF and other expert organizations (e.g., other UN bodies, standard setters, academia, non-governmental organizations).

Recommendations to other key stakeholders

8
Corporate and institutional clients of financial institutions should commit to respecting the rights of children

Commit to respecting children's rights and take measures that are appropriate for their industry, location, operations, products and services, and supply chain, guided by the **Children's Rights and Business Principles** (CRBP)[4]. Implement robust due diligence procedures (in line with the UNGPs and the OECD MNE Guidelines) to identify, prevent and mitigate adverse impacts on children's rights.

9
ESG research companies, data providers and reporting standard-setters should contribute to the availability of meaningful and comparable data

Recognize children as an important stakeholder group of all companies and sectors and acknowledge that topics relevant to children are often interlinked with other sustainability topics (e.g., living wage, working conditions, diversity, product safety, digital ethics). Integrate children's rights considerations, beyond child labour, into the social dimension of ESG ratings and sustainability analyses of companies. Position children's rights more prominently and visibly as part of the social dimension of ESG reporting standards.

10
Regulators and policymakers should cover children's rights comprehensively beyond child labour and along the entire value chain, and hold financial institutions accountable to the same standards as other companies

Fully cover children's rights within legal frameworks, such as the Swiss Code of Obligations. Recognize that addressing child labour alone is not enough to bring about significant improvements to the lives of children, especially since the problem is pervasive in high-risk sectors. Focus regulation not only on the supply chain but take the entire value chain into account. Hold financial institutions accountable to the same standards on human and children's rights as other companies and impose the same due diligence requirements on all sectors. Set or strengthen regulatory requirements and support measures such as industry or multi-stakeholder initiatives that promote children's rights.

1. Introduction

Canada. Children play with Snapchat filters on their mother's phone. Along with parents, caregivers and governments, technology providers have a responsibility to ensure that children, as users of digital platforms, are protected and supported.

© UNICEF/UN046033/Gilbertson VII Photo

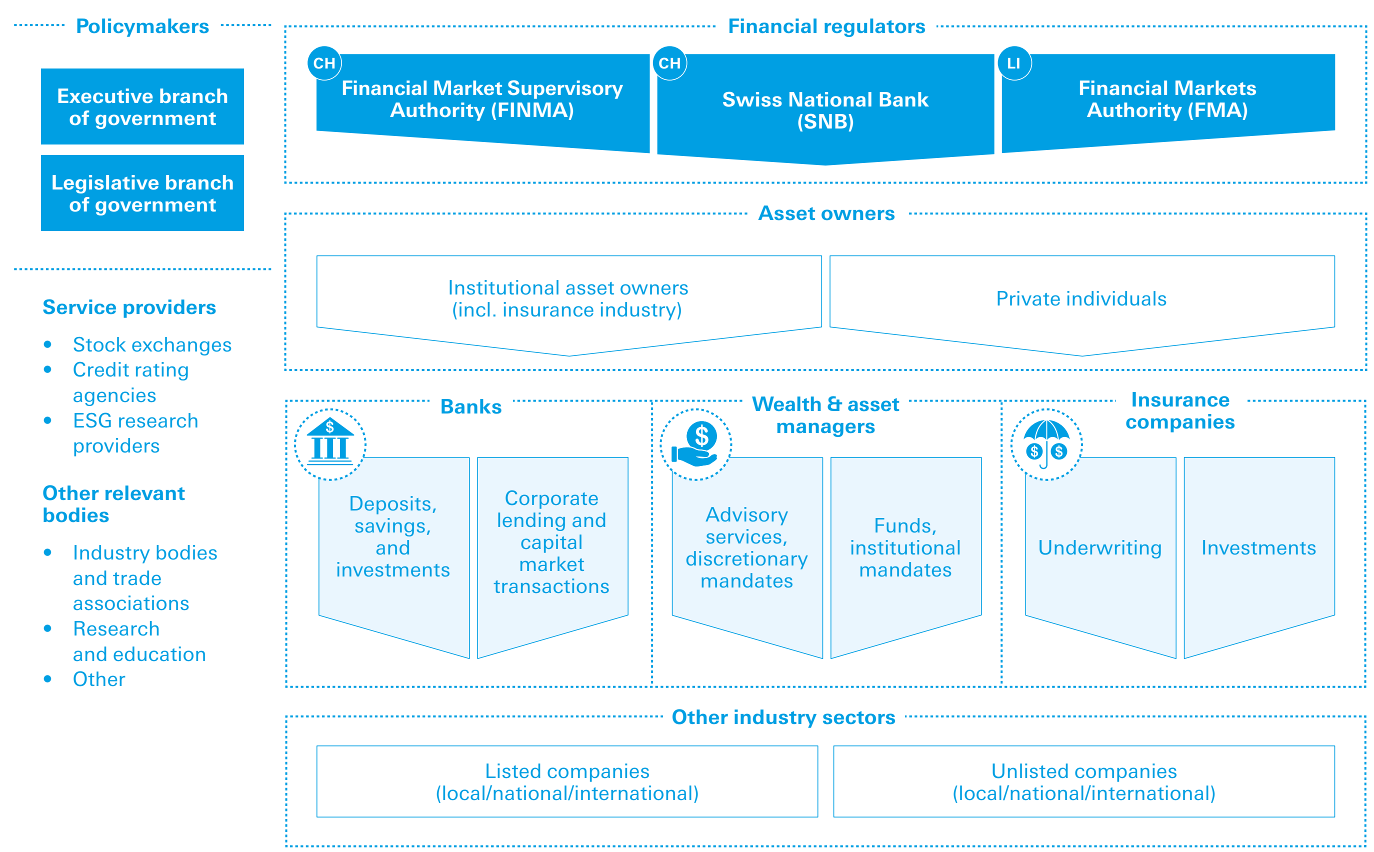
Children are everyone's business![5] This UNICEF motto for engaging with the business world also applies to the financial industry. Every company, including financial institutions, interacts with children in some way. For example, companies employ the parents and caregivers of children, they provide services to children, they market products to children, and they shape the environment and societies in which children grow up.

Financial institutions play a crucial role in supporting the economy by providing capital through corporate loans, managing bond or share issuances, facilitating investments in listed and unlisted companies, and underwriting risks. Through their own operations as well as through these services, financial institutions are linked to companies whose operations, products, services, and business practices can profoundly affect children, positively and negatively. This means financial institutions have opportunities to improve outcomes for children and a responsibility to avoid contributing to impacts that harm children (i.e., adverse impacts) and to proactively prevent and mitigate adverse impacts that are linked to their products and services. Certain sectors are associated with higher risks of adverse impacts on children, such as agriculture; extractive industries (mining, oil and gas); consumer goods manufacturing; travel, tourism and hospitality; food and beverages; technology and communication; and health care. The financial sector has its own set of potential impacts on children's rights — directly through its operations, products, and services, and indirectly through the services offered to clients and investments in investee companies (see chapter 5.2). Children are among the most vulnerable members of society.[6] Childhood is a unique period of physical, mental and emotional development. Adverse impacts during childhood can have lifelong, irreversible and even intergenerational consequences. Conversely, interventions which support the health and well-being of children can yield long-lasting benefits for society and improve socioeconomic outcomes.

This study assesses banks, wealth and asset managers, and insurance companies headquartered in Switzerland and Liechtenstein to see how their products, services and actions may impact children, positively and negatively. We identify key levers and actionable recommendations that financial institutions and their stakeholders could use to influence economic activities so that children's rights are upheld (see Figure 1). This analysis evaluates the three types of financial institutions as a whole and does not provide a rating for any specific institution.

Figure 1

A schematic overview of key stakeholders in the financial sector of Switzerland and Liechtenstein.



2. Goals, structure and scope

Fiji. Melania plays on the beach after a tropical cyclone struck with winds reaching 350 km/h. Such extreme weather events are becoming more common due to climate change. It is imperative that climate change and its consequences on children remain a priority for business leaders worldwide.

This study focuses on the financial industry and follows a cross-sectoral baseline study conducted by UNICEF Switzerland and Liechtenstein, in collaboration with the GCNSL, in 2022.[7] It looks at banks, wealth and asset managers, and insurance companies headquartered in Switzerland and Liechtenstein.

2.1. Goals

This study has several goals:

- Raise awareness and understanding: improve the financial industry's understanding of its responsibilities regarding children's rights, and show how financial institutions' approaches to their governance, strategy, risk management and products and services offering can positively or negatively affect children.
- Highlight impacts: identify, analyse and attempt to quantify the potential positive and negative impacts that the products and services of Swiss and Liechtenstein banks, wealth and asset managers, and insurance companies can have on children.
- Assess awareness and actions: evaluate financial institutions' awareness, commitments, actions and objectives related to children's rights.
- Identify gaps and challenges: highlight gaps in knowledge, operational challenges and missing support (pre-conditions) necessary for financial institutions to better respect and protect children's rights.
- Foster engagement: encourage the financial industries in Switzerland and Liechtenstein to be more involved in the issue of children's rights and make the case for initiating or enhancing engagement and improvement.
- Provide recommendations: offer practical recommendations to financial institutions, regulators, policymakers and standard setters; industry bodies and trade associations; ESG research providers; and the clients and investee companies of financial institutions.

Extensive discussion among different groups about children's rights is essential as banks, wealth and asset managers and insurance companies play an important role in the national and international political, economic and financial systems.

The study aims to raise awareness and understanding of the financial industry's responsibilities regarding children's rights.

2.2. Structure

This study has eight main sections:

Chapter 1	is the introduction.
Chapter 2	outlines of the goals and scope of the study.
Chapter 3	explains the study's methodology.
Chapter 4	explains the norms, standards and regulations that address companies' responsibility to respect children's rights.
Chapter 5	describes how companies' activities have the potential to impact children.
Chapter 6	presents estimates of the exposure that Swiss and Liechtenstein financial institutions have to impacts on children; describes the findings of our research and interviews of how these impacts are managed; and highlights challenges and gaps.
Chapter 7	presents recommendations for financial institutions and their stakeholders.
Chapter 8	concludes the study with final remarks.
Annex	presents areas to explore further, resources and promising approaches, and the overview of financial institutions assessed for this study.

2.3. Scope

This study focuses on the financial industry in Switzerland and Liechtenstein, with a particular focus on how the products and services of banks, wealth and asset managers, and insurance companies can affect children. Beyond these key actors, regulators, policymakers and various service providers shape how the sector functions, and they can support financial institutions as they work to improving how children's rights are understood and addressed in their business lines.

Business lines and activities in scope

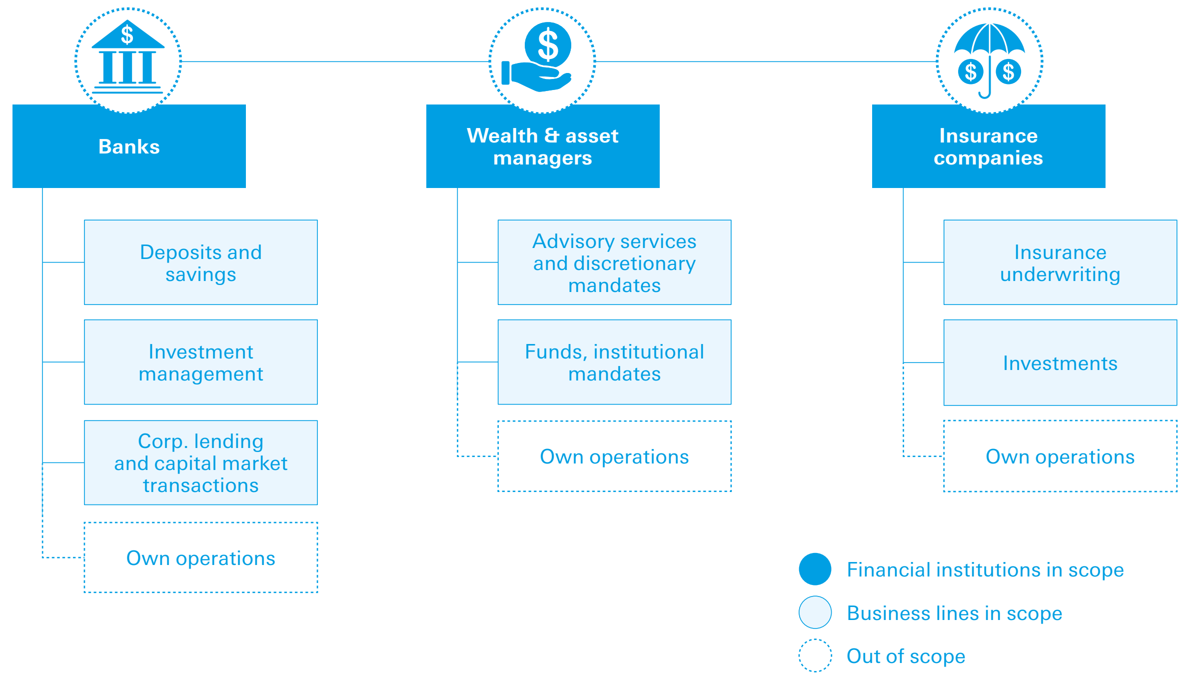
The study concentrates on the business activities of three types of financial institutions and their corresponding core services and products (see Figure 2):

- Banks (corporate and retail): deposits and savings, investment management, corporate lending (credit) and capital market transactions
- Wealth and asset managers: investment management through advisory services and discretionary mandates, investment products (e.g., funds) and institutional mandates
- Insurance companies: insurance underwriting and investments

Areas where financial institutions do not differ much from companies in other industry sectors are not the focus of the study and are therefore out of scope. These areas referred to as "own operations" include a financial institution's human resource management, sponsoring, philanthropic activities or their own supply-chain activities.

Figure 2

Types of financial institutions and business lines in scope of the study



key questions

This study explores the following key questions for each type of financial institution

Banks:

- How can banks' financing activities impact children?
- How can and do banks assess the impact of lending and capital markets transactions on children?
- How, if offered, can child-specific bank products impact children?

Wealth and asset managers:

- How can wealth and asset managers' investment activities impact children?
- How can and do wealth and asset managers assess the impact of investment management on children?
- How, if offered, can child-specific wealth or asset management products impact children?

Insurance companies:

- How can insurance companies' underwriting and investment activities impact children?
- How can and do insurance companies assess the impact of underwriting and investment on children?
- How, if offered, can child-specific insurance products impact children?

3. Methodology

Ukraine. Masha draws a comic in her sketchbook. Every child has the right to learn, and education is a fundamental human right that empowers them to express their creativity and shape a brighter future.

The analytical framework of this study is based on the **Children's Rights and Business Principles** (CRBP),[8] jointly developed by UNICEF, the UN Global Compact and Save the Children in 2012. The CRBP provide a comprehensive framework for understanding and addressing the impact of business on the well-being of children. In order to make the ten CRBP more tangible to business audiences, UNICEF Switzerland and Liechtenstein have reformulated and aggregated them into four key areas that companies, including financial institutions, manage and interact with: governance and collaboration, workplace, marketplace, and environment and community (see Figure 3).

While financial institutions can have an impact on each of these four areas through their own operations or their supply chains, this study explores how financial institutions' products and services intersect with sectors which have the most material positive or negative impacts on children.

Research and interviews

This study involved researching whether (and how) 30 financial institutions – 10 of the largest banks, 10 wealth and asset managers, and 10 insurance companies from Switzerland and Liechtenstein – consider children's rights.[9] The research relied exclusively on publicly available materials, including the financial institutions' most recent annual, sustainability, or corporate responsibility reports, human rights statements or policies, ESG or sustainable investment policies, and the financial institutions' respective websites. The following was investigated between March and July 2024:

- We examined evidence of a commitment to children's rights, including whether children are mentioned in financial institutions' materiality assessments and/or are considered in lending, investing and underwriting policies as well as due diligence processes.
- We assessed financial institutions' general products and services for references to children as well as products specifically targeted to children as clients, or with children as explicit beneficiaries, and looked for sustainable finance, thematic and impact investing approaches with direct benefits for children.
- We looked for evidence of children-related stakeholder engagement or multi-stakeholder initiatives that aim to improve the lives of children but excluding philantropic activities.
- Given children's particular vulnerabilities to climate and environmental changes, we also examined the financial institutions' climate or transition strategies for mentions of children or more general 'future generations'.
- The publicly available materials were corroborated and clarified through interviews with representatives of six of those financial institutions that demonstrated a promising understanding of children's rights and/or particularly interesting approaches. The interviews were conducted with three banks, one wealth and asset manager, and two insurance companies on a variety of topics. Interviewees were also asked for suggestions on how to enhance the financial sector's positive impacts on children.
- Best practice guidance and the research and interview outcomes informed the synthesis of recommendations for banks, wealth and asset managers, and insurance companies. The recommendations aim to enhance financial institutions' awareness of how their business activities impact children, outlining steps to close identified gaps, manage risks to financial institutions, reduce negative impacts on children, increase positive outcomes for children, and capitalize on business opportunities.

Figure 3

Key areas of the Children's Rights and Business Principles, as devised by UNICEF Switzerland and Liechtenstein

Governance and collaboration	Workplace	Marketplace	Environment and community
Commitment to children's rights, due diligence, materiality assessment, impact assessment, grievance mechanisms, initiatives and partnerships in favour of children's rights (e.g., multi-stakeholder initiatives).	Contribution to elimination of child labour, decent working conditions for young people, vocational training for young people, decent and family-friendly working conditions and remuneration (within the company and in the supply chain).	Safe and supportive products & services, responsible marketing & advertising, digital ethics incl. online child protection and data protection, protection against sexual exploitation.	Impact on the environment and community in company's own operations and supply chains (e.g., pollution, use of harmful chemicals such as pesticides or fertilizer in agriculture, or mercury for gold extraction), land use, resettlement affecting children's health, education or development.

India. Rahul enjoys the rain. It is important to recognize that economic activities have an indirect impact on children through environmental changes, such as air and water pollution. In order to ensure responsible business practices, it is essential to respect children's rights in relation to the environment.

4.

Corporate responsibility to respect children’s rights

The fundamental rights of children are clearly linked to the broader concept of human rights as well as the responsibilities of companies. It is widely agreed that protecting children's rights requires a unique strategy from governments and the private sector. Here we present a selection of international law and regional and national regulations that in some way address fundamental rights and/or responsible business conduct (see Table 1).

4.1. Human rights

In 2011, **the United Nations Guiding Principles on Business and Human Rights (UNGPs)**[10] established a conceptual framework of recommendations for business and human rights that rests on three pillars:

- The State duty to protect against human rights abuses by third parties, including business, through appropriate policies, regulation and adjudication.
- The corporate responsibility to respect human rights, which means to act with due diligence to avoid infringing on human rights.
- The need for effective access to remedies when human rights are breached.

Governments have a duty to protect human rights and are primarily responsible for fulfilling children's rights. Companies, including financial institutions, also have a responsibility to respect human and children's rights, namely to

- avoid causing or contributing to adverse human rights impacts through their own activities and address such impacts when they occur.
- seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.[11]

"Business relationships" are understood to include relationships with business partners, entities within a company' value chain, and – particularly relevant for financial institutions – lender-borrower and investor-investee relationships.

In parallel with the publication of the UNGPs, the OECD revised its Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD MNE Guidelines) in 2011 to include a section on human rights.[12] Like the UNGPs, the OECD MNE Guidelines recommend that companies "undertake risk-based due diligence to identify, prevent, mitigate, and address actual and potential adverse impacts on matters covered by the Guidelines, which includes human rights, labour rights, environment, bribery, consumer interests and taxation."[13]

When the OECD MNE Guidelines were updated in 2023, the term "business relationships" was expanded to explicitly include "investee companies" and "clients."[14] The OECD has published several guidance documents to help financial institutions implement the OECD MNE Guidelines, including three guidance documents about applying the guidelines to institutional investing, corporate lending and securities underwriting, and project and asset finance transactions, respectively.[15]

Neither the UNGPs nor the OECD MNE Guidelines are mandatory for companies, but governments expect businesses to follow them. Moreover, national-level binding regulations that are in force or being discussed increasingly reference both as expected standards of behaviour or as implementation guidance. They have also been used by courts in multiple jurisdictions as a benchmark for evaluating corporate practices.

4.2. Children's rights

Companies, including financial institutions, are expected to respect the rights of children, just as they are expected to uphold human rights. This entails taking proactive steps to avoid any adverse impacts on children's lives, health, growth or well-being. Businesses are responsible for making sure their actions and products do not harm children, and they should strive to support children's development and safety.

The most comprehensive statement of children's rights in international law is the **United Nations Convention on the Rights of the Child**, adopted in 1989 and effective since 1990.[16] Signed by 196 countries, the Convention includes 54 articles addressing rights related to various aspects of a child's life, such as civil, political, economic, social and cultural rights. Governments are required to ensure children enjoy their rights, such as access to health care, clean water, and a safe environment, and to protect children from economic exploitation and hazardous work that hinders their education.

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Countries have signed the United Nations Convention on the Rights of the Child

UNICEF, the UN Global Compact and Save the Children published the **Children's Rights and Business Principles** (CRBPs) in 2012.[17] Based on the UNGPs, the CRBPs aim to increase awareness and visibility of children's rights. With the exception of child labour issues, children's rights were not considered an important aspect of responsible and sustainable business conduct until the principles were developed. Although the 10 CRBPs are not legally binding, they interpret internationally agreed-upon children's rights for business stakeholders and encourage these rights to be integrated into business practices through clearly defined actions (see Figure 4).

The International Labour Organization (ILO) protects children from child labour through **Convention No. 138 on Minimum Age** and **Convention No. 182 on the Worst Forms of Child Labour.**[18] These conventions are widely ratified and require countries to legislate against child labour, though it remains a persistent issue, especially in countries in the Global South. More than just legislative action is needed to address child labour; the problem demands comprehensive, multi-faceted approaches. Other ILO core labour standards, such as eliminating forced labour, ensuring non-discrimination, granting freedom of association and the right to a safe and healthy work environment, are relevant for protecting children's caregivers.

Finally, the OECD MNE Guidelines cover children's rights in relation to child labour, consumer interests and digital services, emphasizing the protection of children's well-being.[19]

4.3. European Union regulation

Building on international recommendations on business and human rights, the European Union (EU, a supranational jurisdiction) initially focused on transparency when it set requirements for the private sector. EU regulators, however, are increasingly mandating due diligence processes for human rights.

Does European Union regulation apply to Liechtenstein or Switzerland?

Liechtenstein is not part of the EU but joined the European Economic Area (EEA) in 1995. Consequently, its legal system is largely aligned with the Union as EEA members are required to adopt European Union legislation relevant in the EEA.

Switzerland is neither part of the EU nor of the EEA. It generally sets its regulatory frameworks independently, though often with consideration for alignment with key markets like the EU and U.S. Swiss companies may be directly affected by EU regulations if they have a presence in an EU country (above certain defined thresholds), issue securities in EU markets, or provide services to EU clients. Additionally, Swiss companies may be indirectly impacted by EU regulations through their participation in value chains, as EU companies may pass regulatory requirements on to suppliers and service providers.

Figure 4

Ten principles to guide businesses' protection of children's rights*

All businesses should ...

Governance and collaboration

1 ... meet their responsibility to respect children's rights and commit to supporting the human rights of children

Workplace

2 ... contribute to the elimination of child labour,including in all business activities and business relationships

3 ... provide decent work for young workers, parents and caregivers

4 ... ensure the protection and safety of children in all business activities and facilities Marketplace

Marketplace

5 ... ensure that products and services are safe, and seek to support children`s rights through them

6 ... use marketing and advertising that respect and s upport children1s rights

Environment and community

7 ... respect and support children`s right in relation to the enviroment and land acquisition and use

8 ... respect and support children`s rights insecurity arrangements

9 ... help protect children affected by emergencies

10 ... reinformce community and government efforts to protect and fulfil childern`s rights

* Based on the Children's Rights and Business Principles published by UNICEF

Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards

The Corporate Sustainability Reporting Directive (CSRD),[20] which came into force in 2023, requires in-scope companies, including financial institutions, to disclose sustainability and ESG information in their management reports. This must be done from a 'double materiality' perspective, meaning they must report on both the financial risks posed by sustainability issues and the impacts their operations and 'value chains' have on people and the environment, if either or both are deemed material.[21] Notably, the CSRD also applies to European Union subsidiaries of non-EU parent companies if they exceed certain criteria related to their balance sheet, net turnover, or number of employees, or if they have debt or securities listed in a European Union market.

Due diligence in line with the UNGPs or the OECD Guidelines helps financial institutions prepare for future regulatory requirements.

The CSRD requires companies to follow the European Sustainability Reporting Standards (ESRS)[22] when preparing their management reports. The ESRS outline detailed expectations for corporate reporting on sustainability matters under multiple general, environmental, social and governance reporting standards. Children are explicitly mentioned in three of the four social ESRS: Companies must report on geographic areas, operations, or commodities with a significant risk of child labour (ESRS S1), if the issue is deemed material. Companies must report on their policies explicitly addressing child labour (ESRS S2) and report on the personal safety of consumers and end users of their products (ESRS S4), including the protection of children, if these issues are determined to be material to their operations.

Aside from the social reporting standards, there are other sustainability topics covered by the ESRS that may involve impacts on children, such as the working conditions of their parents and caregivers (e.g., secure employment, working time, adequate wages [living wages]), gender equality and diversity, water and sanitation, pollution, ecosystem degradation, or climate change.

Corporate Sustainability Due Diligence Directive

In July 2024 the Corporate Sustainability Due Diligence Directive (CSDDD) entered into force.[23] The CSDDD requires in-scope companies to conduct environmental and human rights due diligence on their own activities, on their subsidiaries' activities and on the activities carried out by the business partners in their 'chain of activities'.[24] The CSDDD starts to apply to large companies (according to employee number and turnover volume) in July 2027, and gradually thereafter to smaller companies.

Besides explicitly mandating due diligence to identify, prevent and address child labour, the directive references the **UN Convention on the Rights of the Child** in its comprehensive (non-exhaustive) list of international human rights instruments that companies are expected to adhere to. Children's rights that are explicitly mentioned in the directive relate to health, standard of living, education, protection from economic exploitation and hazardous work, and protection from all forms of sexual exploitation and sexual abuse.

Of note is that financial institutions in scope of the directive do not have to address their downstream chain of activities. This means that adverse impacts linked to clients or investees through financial services are excluded from due diligence expectations. The CSDDD will be reviewed, and this exemption could be removed in the future. Even so, due diligence in line with the UNGPs or the OECD Guidelines helps financial institutions prepare for future regulatory requirements, prevent potential reputational risks and strengthen human rights protection.

Taxonomy Regulation and the Sustainable Finance Disclosure Regulation

At the European Union level, the Taxonomy Regulation[25] and the Sustainable Finance Disclosure Regulation (SFDR)[26] have indirect relevance to the protection of children's rights: The Taxonomy Regulation requires in-scope companies to include information in their non-financial statement on how and to what extent their business is associated with environmentally sustainable economic activities. Activities only qualify as sustainable if: (1) they meet certain technical criteria, (2) they substantially contribute to achieving at least one of the taxonomy's objectives, (3) they do not significantly harm the other objectives, and (4) the company conducting the activity respects basic human rights and labour standards.

The SFDR targets manufacturers of financial products and financial advisers, and establishes sustainability-related disclosure requirements for in-scope products and entities. This regulation requires a principal adverse impacts statement which describes an institution's due diligence policies with respect to the main negative effects of its investment decisions on sustainability factors, such as environmental, social and employee matters, as well as its respect for human rights.

Regulation on Prohibiting Products Made with Forced Labour on the Union Market

In April 2024, the EU Parliament approved a proposed regulation that would prohibit placing or making available any product, or product components, made, extracted or using forced labour on the EU market, or exporting such products from the EU. The applied definition of forced labour also covers compulsory child labour. To enter into force, the regulation must be formally adopted by the EU Council.

4.4. Swiss and Liechtenstein regulation and voluntary initiatives

In contrast to the more comprehensive EU regulations cited, Swiss and Liechtenstein regulations and initiatives focus more narrowly on child labour, conflict minerals and human trafficking. In Switzerland, articles 964j–l of the Swiss Code of Obligations[27] and the accompanying implementing provisions of the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO)[28] apply to companies "if they offer products or services for which there is a reasonable suspicion that they have been produced or provided using child labour" or if they "have possession of minerals or metals originating from conflict-affected and high-risk areas and … are involved in their shipment, treatment and processing in the final product" (regardless of whether these products or services are provided within Switzerland or overseas). Companies must check whether there are reasonable grounds to suspect child labour (or minerals or metals from high-risk areas) in their supply chain, and, if this is the case, they must develop a supply-chain policy, set up traceability and grievance systems, and conduct ongoing due diligence to assess such risks. The regulation entered into force in 2022.

Accordingly, Swiss financial institutions, like all other companies in Switzerland, must assess their own supply chains when procuring products known to pose a risk of child labour, such as IT hardware, marketing articles like textiles, or client give-aways that contain cocoa. With respect to financial institutions' products and services, which are the focus of this study, the DDTrO only has a marginal impact: banks and wealth managers offering their clients physical gold as an investment opportunity should determine if the gold could be associated with child labour or may originate from conflict-affected areas. In case of specific indications of child labour or metals from conflict areas, Swiss companies, including financial institutions, must take appropriate measures to avert or mitigate negative effects, evaluate the results of the measures and communicate these results.

The Liechtenstein Initiative, also known as Finance Against Slavery and Trafficking (FAST), is noteworthy in the wider context of combating forced labour and human trafficking.[29] It is a public-private partnership involving the governments of Liechtenstein, Australia and the Netherlands, together with private-sector actors. The initiative engages banks, investors, stock exchanges and policymakers. FAST's efforts are directed by the Blueprint for Mobilizing Finance Against Slavery and Trafficking, which outlines a framework of 5 goals and 30 actions to guide financial-sector actors and other stakeholders in their commitment to eradicate modern slavery and human trafficking.

Table 1

Selected international, regional and national legal instruments with relevance for children's rights.

International law and soft law instruments		Binding regional and national regulation	
International conventions	Soft law instruments and guidance	European Union	Switzerland / Liechtenstein
• UN Convention on the Rights of the Child • International Labour Organization Core Labour Standards	• UN Guiding Principles on Business and Human Rights • OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and sector-specific guidance • Children's Rights and Business Principles (UNICEF) • Liechtenstein Initiative (Finance Against Slavery and Trafficking, FAST)	• Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards • Corporate Sustainability Due Diligence Directive (CSDDD) • Taxonomy Regulation • Sustainable Finance Disclosure Regulation	• Swiss Code of Obligations (articles 964j to l) • Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour

5.

Companies' and financial institutions' impacts on children's rights

Australia. Indigo enjoys playing with Lego and Star Wars figures. It is important to uphold children's right to play. At the same time, children are also consumers of products and services. Particular care needs to be taken to ensure that such products and services are safe and suitable to use.

Children grow up to become the employees and customers of companies; they are also future investors. Regardless of whether a financial institution operates as a bank, wealth and asset manager, or insurer, its primary impacts on children stem not from its own operations but from the business activities of its clients. To effectively analyse the impact of a financial institution on children’s ability to enjoy their rights, it is crucial to identify the sectors and company activities that are most likely to have material impacts on children. Having a ‘material impact’ on children and their rights means that an action, decision or policy significantly affects children's well-being, development, or access to basic rights. Country-specific factors influencing the severity and probability of impacts on children should also be considered, including inadequate protection of children’s rights in certain places.

5.1. Cross-sectoral impacts on children

Companies’ operations, products and services can directly or indirectly affect children in many ways. Regardless of the sector a company operates in, there are certain impacts that could apply directly or indirectly.

Direct impacts

- As young workers or child labourers (directly employed or working with subcontractors or lower tier suppliers)
- As recipients of vocational training
- As consumers of products and services
- Through exposure to marketing and advertising
- As users of digital platforms
- Through risk of accidents
- Through exposure to harmful chemicals

Indirect impacts

- Through the working conditions of parents and caregivers
- Through the wages and incomes of their parents and caregivers
- By changes in the environments where children live and play (pollution of air and water, threats related to climate change, or forced relocations)

Child labour

Child labour is a well-known problem which companies – including financial institutions – have been working for a long time to solve. International human rights and labour standards define child labour as work that deprives children of their childhood, their potential, and their dignity and that is harmful to their physical or mental development – including interfering with their schooling and education.

Not every activity carried out by children under the age of 18 is considered child labour. For example, children are often allowed to do light work from the age of 13 (or older, depending on national laws) or work full-time from the age of 15 (or older, depending on national laws) as long as the activity is not considered dangerous or among the worst forms of child labour.

Facts and figures on child labour

- One in ten children globally are estimated to be child labourers (160 million children)
- One quarter (23.9 per cent) of the world’s child labourers work in sub-Saharan Africa
- Of all children working:
  - Half are doing hazardous work
  - One third do not go to school
  - 70 per cent work in agriculture; 20 per cent in services sectors; and 10 per cent in industry and manufacturing, often in the second, third or lower tiers of the supply chain
  - Most child labourers work within their own family (e.g. in family-based subsistence agriculture)
  - Boys are more likely to work in a formal sector than girls at any age

Financial institutions and child labour

Some financial institutions have policies that prohibit investments or business with clients (in any sector) who have high exposure to child labour risks and weak due diligence practices to mitigate such risks. However, research by Save the Children and The Centre for Child Rights and Business (The Centre) reveals that child labour is often endemic in high-risk sectors and countries, making such blanket exclusion seem disconnected from the complex reality on the ground. Instead, The Centre, Shift and UNICEF suggest that a more effective approach for financial institutions would be to actively use and enhance their leverage with clients and investee companies worldwide, prompting them to better identify and address child labour in their operations and value chains. Financial institutions should also encourage and support efforts to address the root causes of the issue, which often include poverty, food insecurity, insufficient wages, low commodity prices, lack of social protection, and inadequate schooling or training opportunities.

Terminating client relationships and divesting from investee companies is a possible course of action if these companies fail to take any meaningful steps towards eliminating child labour and addressing its underlying causes. However, de-risking a financial institution’s portfolio must not lead to a worsened situation for groups, individuals or children.

5.2 Sector-specific impacts on children

Childhood is a vulnerable phase of development. It is a crucial time for physical, emotional and intellectual growth. This vulnerability means children are particularly susceptible to direct and indirect impacts of companies’ operations; not all impacts are negative, they can be positive too (see Table 2). There are sectors that are known to have particularly material impacts on children, such as agriculture, the extractive industries, and consumer goods manufacturing. The financial sector has its own direct and indirect impacts on children and can be linked to the impacts of other sectors through the products and services it provides to companies operating in them. The UNICEF **Tool for Investors on Integrating Children’s Rights Into ESG Assessment**[30] and Sustainalytics’ and UNICEF’s **Investor Guidance on Integrating Children’s Rights into Investment Decision Making**[31] are key resources to understand how various sectors impact children’s rights; they served as the basis for the content in the following table.

Impacts across companies’ value chains

Companies in any industry can influence children’s ability to enjoy their rights. The impacts can arise at any place in a company’s value chain:

- **Upstream**, i.e., at suppliers providing products or services that are essential for the development of a company’s own products and services
- **Within their own operations**, i.e., at production sites or services delivery locations of the company itself
- **Downstream**, i.e., in the various activities related to the distribution, transportation and storage of goods or services, their sale, as well as the management of end-life and end-use of products such as recycling or disposal

Financial institutions such as banks, wealth and asset managers, and insurance companies have business relationships with companies positioned throughout the value chain and across all sectors.

Table 2 1/2

Sectors with significant potential to impact children and examples of known negative and positive impacts

Sector	Direct impacts on children	Indirect impacts on children
Finance	**Negative impacts** • Overspending due to the easy access to (micro-) payment services • Access to unsuitable online content facilitated by bank account or payment card **Positive impacts** • Benefiting from child-appropriate savings accounts, and investment and insurance products • Benefiting from savings accounts, and investment and insurance products that help families safeguard children’s future financial security • Benefiting from financial literacy programmes	**Negative impacts** • Children’s long-term health, safety and livelihoods jeopardized by the consequences of financial institutions lending to/investing in controversial industries and companies such as tobacco, alcohol, weapons; companies with poor labour practices; or companies or technologies that contribute to environmental degradation and climate change • Families kept in cycles of debt, which affects children’s well-being, through lending practices such as high-interest loans • Children being deprived of basic services due to the consequences of a financial institution’s facilitation of tax practices that deprive governments of revenues required to provide for society • Proceeds from forced or child labour being transferred through a financial institution’s payment infrastructure **Positive impacts** • The consequences of being dependents of workers in the financial sector affected by policies on working hours and overtime, paid maternity leave, flexible working models and work-life balance • Benefiting from sustainable or impact investments in sectors or companies contributing to improved living conditions of children, e.g., provision of health care or education

(Figure continues on next page.)

Table 2 2/2

Sectors with significant potential to impact children and examples of known positive and negative impacts

Sector	Direct impacts on children	Indirect impacts on children
Agriculture	**Negative impacts** • Children used as labourers on farms (impacts potentially exacerbated by subcontracting arrangements) • Exposure to pesticides/herbicides and dangerous machinery **Positive impacts** • Benefiting from improvements in community infrastructure and services, such as schools, health care facilities and clean water sources • Benefiting from access to food products crucial for children's nutrition and healthy development	**Potential for positive or negative impacts** • The consequences of being dependents of agricultural workers (who may be in secure or unsecure employment, with decent or inadequate labour standards, and with or without a living wage) **Negative impacts** • Exposure to contaminated water from agricultural run-off or water shortages due to irrigation • Parents and caregivers losing their livelihood due to land-use change or forced relocation
Consumer goods manufacturing	**Negative impacts** • Children used as labourers to manufacture goods (impacts potentially exacerbated by complex supply chains involving subcontractors, outsourcing and homeworking arrangements) • Exposure to hazardous materials such as chemicals, pollutants, and unsafe working conditions • Exposure to harmful substances in children's products, such as lead in toys or phthalates in plastics • Exposure to unsafe or poorly designed products that cause accidents or injuries • Product marketing targeting this vulnerable population (children lack the cognitive ability to critically evaluate marketing messages, are influenced by or influencing their peers, and do not have a full understanding of money, value, and economic constraints) **Positive impacts** • Being able to afford manufactured products • Having access to opportunities for training and technical skills development	**Potential for positive or negative impacts** • The consequences of being dependents of workers in the consumer goods manufacturing sector (who may be in secure or unsecure employment, with decent or inadequate labour standards, and with or without a living wage) **Negative impacts** • Exposure to pollution and waste from the production and disposal of manufactured goods, which affects children's health and quality of life
Food & beverages	**Negative impacts** • Children used as labourers to harvest/produce raw materials for food and beverages (impacts potentially exacerbated by subcontracting arrangements) • Product marketing targeting this vulnerable population (including marketing for potentially harmful products that uses attractive packaging or endorsements from popular characters) • Consuming unhealthy products such as foods that are high in fat, salt and sugar, and cause obesity and chronic disease **Positive impacts** • Benefiting from food products fortified with essential vitamins and minerals to support growth and cognitive development	**Potential for positive or negative impacts** • The consequences of being dependents of workers in the food and beverages sector (who may be in secure or unsecure employment, with decent or inadequate labour standards, and with or without a living wage) **Negative impacts** • Exposure to pollution and waste from the production and disposal of food and beverage products

Sector	Direct impacts on children	Indirect impacts on children
Extractive industries	**Negative impacts** • Children used as labourers at mines or other worksites (impacts potentially exacerbated by subcontracting arrangements) • Exposure to chemicals, explosives, dangerous machinery and vehicles • Exposure to excessive force from a company's security arrangements **Positive impacts** • Benefiting from investments in community infrastructure and services, such as roads, water, sanitation and schools	**Potential for positive or negative impacts** • The consequences of being dependents of workers in the extractives sector (who may be in secure or unsecure employment, with decent or inadequate labour standards, and with or without a living wage) **Negative impacts** • Community-wide impacts from workers migrating into an area • Exposure to polluted soil, water or air • Parents and caregivers losing their livelihood due to land-use change or forced relocation
Health care	**Negative impacts** • Overmedication or adverse drug reactions • Participation in clinical trials with insufficient information about potential risks and impacts • Misuse of children's health information and privacy • Exposure to the effects of health crises such as pandemics and epidemics **Positive impacts** • Benefiting from health promotion and disease prevention, such as vaccination programmes • Benefiting from medical care and life-saving interventions • Benefiting from mental health support	**Potential for positive or negative impacts** • The consequences of being dependents of workers in the health care and pharmaceutical sector (who may be in secure or unsecure employment, with decent or inadequate labour standards, and with or without a living wage) **Positive impacts** • Benefiting from health education for parents and caregivers about healthy behaviours, nutrition and hygiene practices • Benefiting from improved maternal health and prenatal care
Technology & communication	**Negative impacts** • Children used as labourers to assemble components (impacts potentially exacerbated by complex supply chains) • Exposure to mental harms from communication technologies • Exploitation through online pornography • Product marketing targeting this vulnerable population through personalized ads, influencer endorsements and interactive content capturing children's attention • Victimized by data/privacy breaches and online behaviour tracking **Positive impacts** • Benefiting from technology and communications services and from opportunities to learn, share and communicate	**Potential for positive or negative impacts** • The consequences of being dependents of workers in technology and communication equipment factories (who may be in secure or unsecure employment, with decent or inadequate labour standards, and with or without a living wage) **Negative impacts** • Exposure to pollution and waste from the production and disposal of technology and communications hardware
Travel, tourism & hospitality	**Negative impacts** • Children used as labourers • Sexual exploitation and trafficking • Exposure to accidents and health hazards from increased vehicle traffic • Exposure to illnesses transmitted by tourists **Positive impacts** • Benefiting from learning and personal development opportunities from exposure to different cultures and languages	**Potential for positive or negative impacts** • The consequences of being dependents of workers in the travel, tourism and hospitality sector (who may be in secure or unsecure employment, with decent or inadequate labour standards, and with or without a living wage) **Negative impacts** • Parents and caregivers losing their livelihood due to land-use change or forced relocation • Exposure to pollution, waste and other environmental impacts, including climate change, that the sector causes/contributes to

5.3. Country-level impacts on children

The risks of adverse impacts on children 's rights are exacerbated by country-level factors such as poverty, precarious migration, weak regulatory frameworks and insufficient enforcement of laws; weak child protection systems and a lack of quality education opportunities also impact children.[32] It is a misconception that such impacts are only present in the Global South. Although certain factors that are prevalent in this geographical area can make children more vulnerable, the lack of adequate protection for children's rights is a problem that exists anywhere in the world.

> *Country-level factors like poverty, weak regulations, and poor law enforcement amplify risks to children's rights globally.*

The **UNICEF's Children's Rights and Business Atlas** provides country-specific indicators that measure the legal protection of children's rights in the workplace, in the marketplace and in the community, and with respect to the environment.[33] It is a comprehensive analysis aligned with the CRBP and the UN Sustainable Development Goals.

Tax practices

Tax competition between countries is considered a useful policy tool, but it is difficult to justify if it leads to multinational corporations or wealthy individuals avoiding taxes and a country's tax base eroding. This undermines governments' ability to provide essential public services, including services that benefit children.

In its periodic report on the Netherlands published in March 2022, the United Nations Committee on the Rights of the Child recommended that the government assess "its tax and financial policies to ensure that they do not contribute to tax abuse by national companies … that leads to a negative impact on the availability of resources for the realization of children's rights."

Although this recommendation is directed at the Netherlands as a State Party to the Convention on the Rights of the Child, it is equally relevant for other signatories of the Convention, including Switzerland and Liechtenstein. It is a critical reminder to companies and financial institutions that facilitating activities such as profit shifting, tax evasion or concealing assets can obstruct children's access to essential services such as health care, clean water, sanitation, education and decent housing.

5.4. Linkages to financial institutions

Financial institutions play a crucial role in driving economic growth, fostering innovation, promoting global trade, and managing risks. As sustainable finance strategies that incorporate environmental, social, and governance (ESG) criteria become more widespread, the financial sector can significantly enhance positive outcomes for both the environment and the communities that rely on it, including children.

However, the activities, products, and services of financial institutions can also have negative effects on the environment and human rights. By using the terminologies and frameworks provided by the UNGPs and the OECD MNE Guidelines, this chapter seeks to raise awareness of the various ways in which financial institutions might be linked to adverse impacts on children.

The UNGPs state that companies can cause, contribute to or be linked to impacts on human rights, including children's rights. Financial institutions may cause or contribute to adverse impacts on children through their own workplace standards for parents and caregivers and the working conditions of their suppliers. For example, their employees or third-party staff may be exposed to working conditions that affect their physical or mental health, with indirect impacts on their children.

Central to this study are situations where financial institutions may be linked to or contribute to adverse impacts through the products and services they provide or the investments they make – where it is their clients or investees that are causing or contributing to the adverse impact (see Figure 5). These types of situations were explicitly included in the definition of "business relationships" in the update to the OECD MNE Guidelines in 2023 (see chapter 4.1).[34]

Due diligence

The UNGPs and the OECD MNE Guidelines indicate financial institutions should conduct due diligence to prevent contributing to or being linked to adverse impacts on human and children's rights. They are also expected to take action to stop such impacts if they are already happening. When a financial institution (or any company) has contributed to adverse impacts, they are expected to support remediation measures proportionate to their contribution to the impact.[35] The nature of a financial institution's association with an adverse impact can shift from being linked to contributing when it becomes aware of adverse impacts caused by a company it has a business relationship with, but it fails to act on this knowledge.

A robust due diligence process typically consists of the following steps:[36]

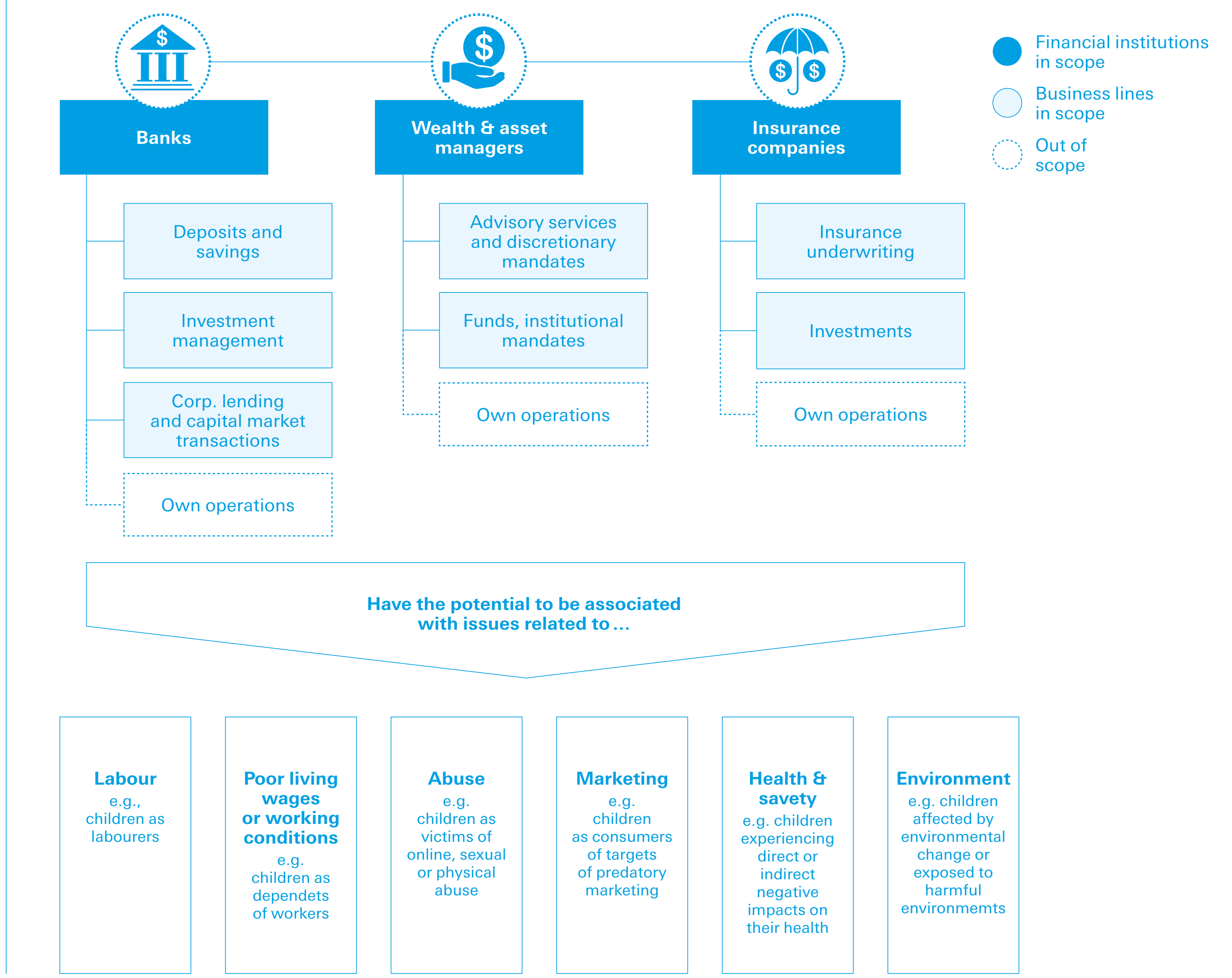
- Identify actual and potential negative outcomes, including activities related to the drivers of impacts on children
- Prevent and mitigate the actual and potential negative outcomes identified
- Track ongoing management of outcomes
- Enable or provide remediation of actual adverse impacts, carrying out meaningful engagement with stakeholders
- Communicate publicly about outcomes and actions taken

Due diligence to identify, prevent and mitigate adverse impacts requires a different perspective from traditional (sustainability) risk management. Traditional risk management is inward-looking, focusing on risks to a company or financial institution, such as credit, market or reputational risks. In contrast, due diligence for adverse impacts is outward-looking, concerned with how a company's or financial institution's operations, products and services affect the external environment and people, including children.

5. Companies' and financial institutions' impacts on children's rights

Figure 5

Overview of children's rights issues that financial institutions may be exposed to through their clients or investees



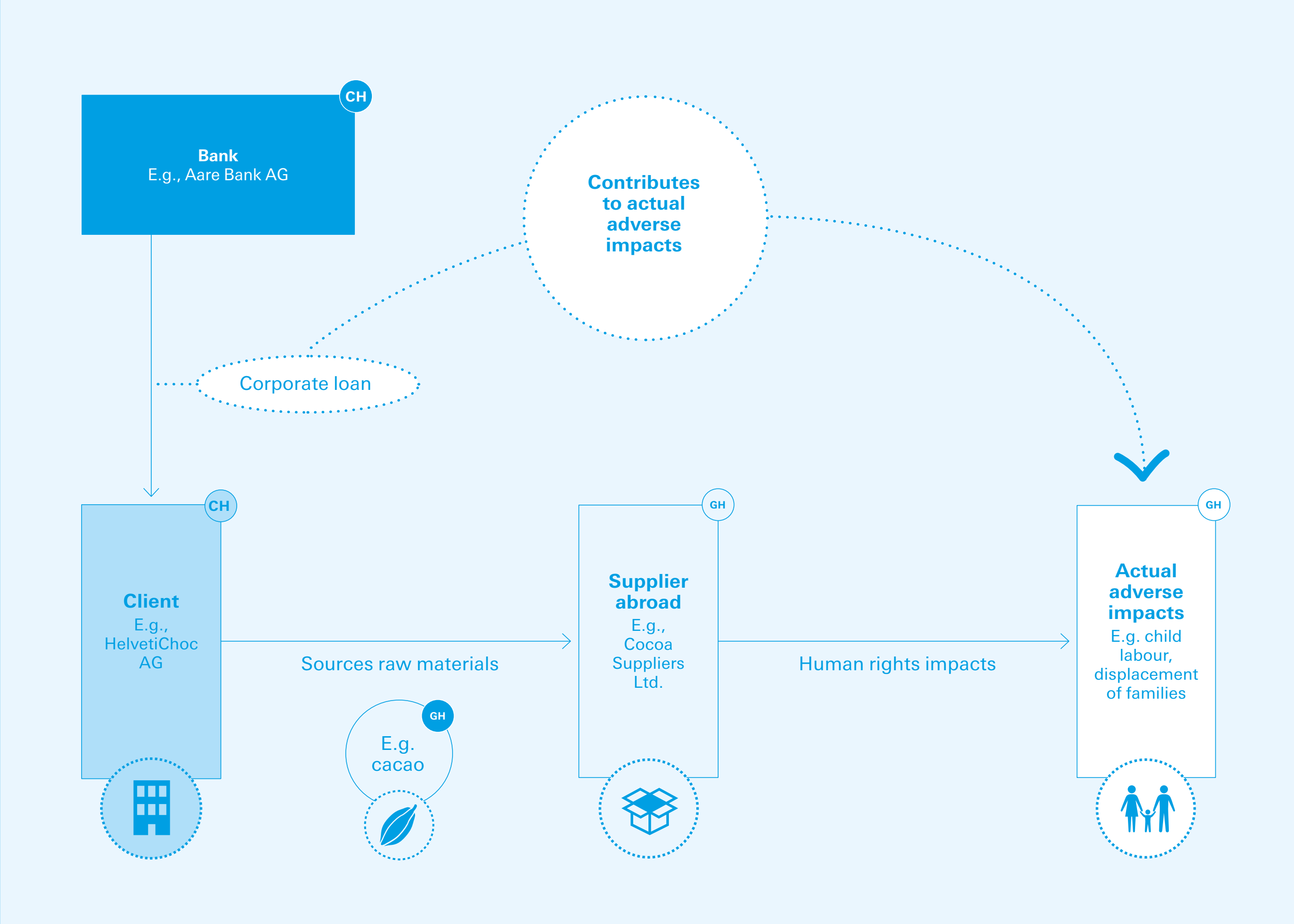
Fictional case studies

The following four fictional case studies illustrate how banks (see Figure 6), wealth managers (see Figure 7), asset managers (see Figure 8), and insurance companies (see Figure 9) can be linked to adverse impacts through their products and services, or by failing to act, may find themselves contributing to these impacts. They also show how financial institutions have the potential to influence client or investee companies to improve outcomes. These case studies present theoretical scenarios that highlight the potential challenges financial institutions face when providing products and services to their diverse clients. Any similarities with existing companies are unintended and purely coincidental.

Figure 6 Fictional case study

Corporate lending

Connection map



Impact path

- HelvetiChoc AG, a Swiss chocolate company, required renewal of a corporate loan from Aare Bank AG to expand production.
- HelvetiChoc sources cacao from CocoaSuppliers Ltd., a Ghanaian supplier criticized for alleged child labour and illegal plantation expansion that displaced over 500 families.
- Aare Bank's due diligence confirmed there is a high likelihood that the supplier is involved in child labour and human rights violations.
- Despite being aware of the controversies, Aare Bank decides to approve the loan without engaging with HelvetiChoc AG about its supplier's (CocoaSuppliers Ltd.) approaches to human rights and child labour.

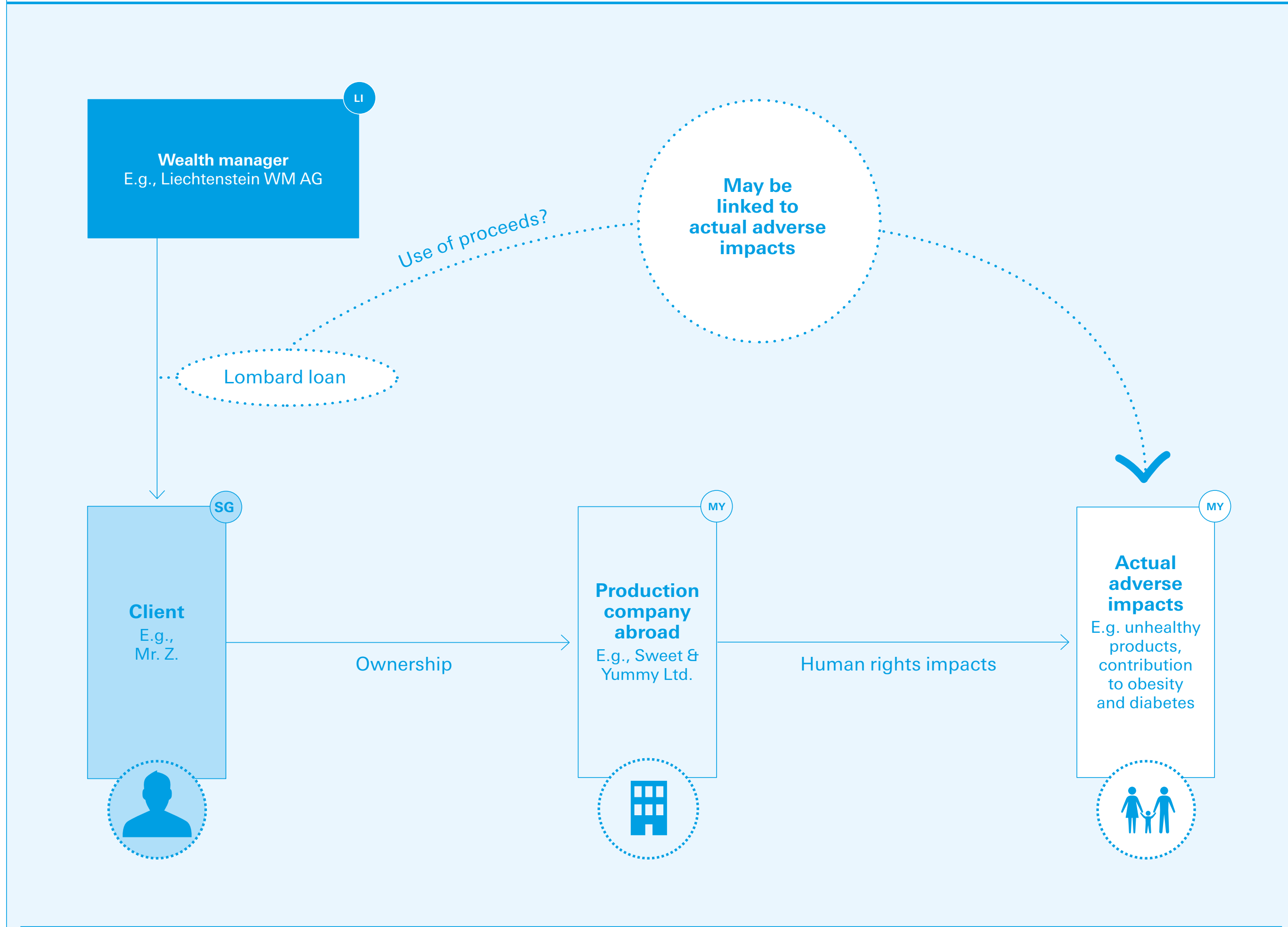
Conclusion: Impact and responsibility

- By providing the loan without adequate safeguards, Aare Bank is contributing to actual, severe human rights violations and the use of child labour.

Figure 7 Fictional case study

Lombard loan to private client

Connection map



Impact path

- Liechtenstein Wealth Management AG provides a Lombard loan with unknown use of proceeds to a Singapore-based private client, Mr. Z.
- This client owns 65 per cent of Malaysian food and beverages company Sweet & Yummy Ltd. which, among other things, is producing and marketing sugary and high-fat products to children and young people. These products contribute to health issues like obesity and diabetes among children and young people.
- Despite the known ownership situation, the wealth manager approved the loan to Mr. Z without considering the risk of a potential on-flow of funds to Sweet & Yummy Ltd.

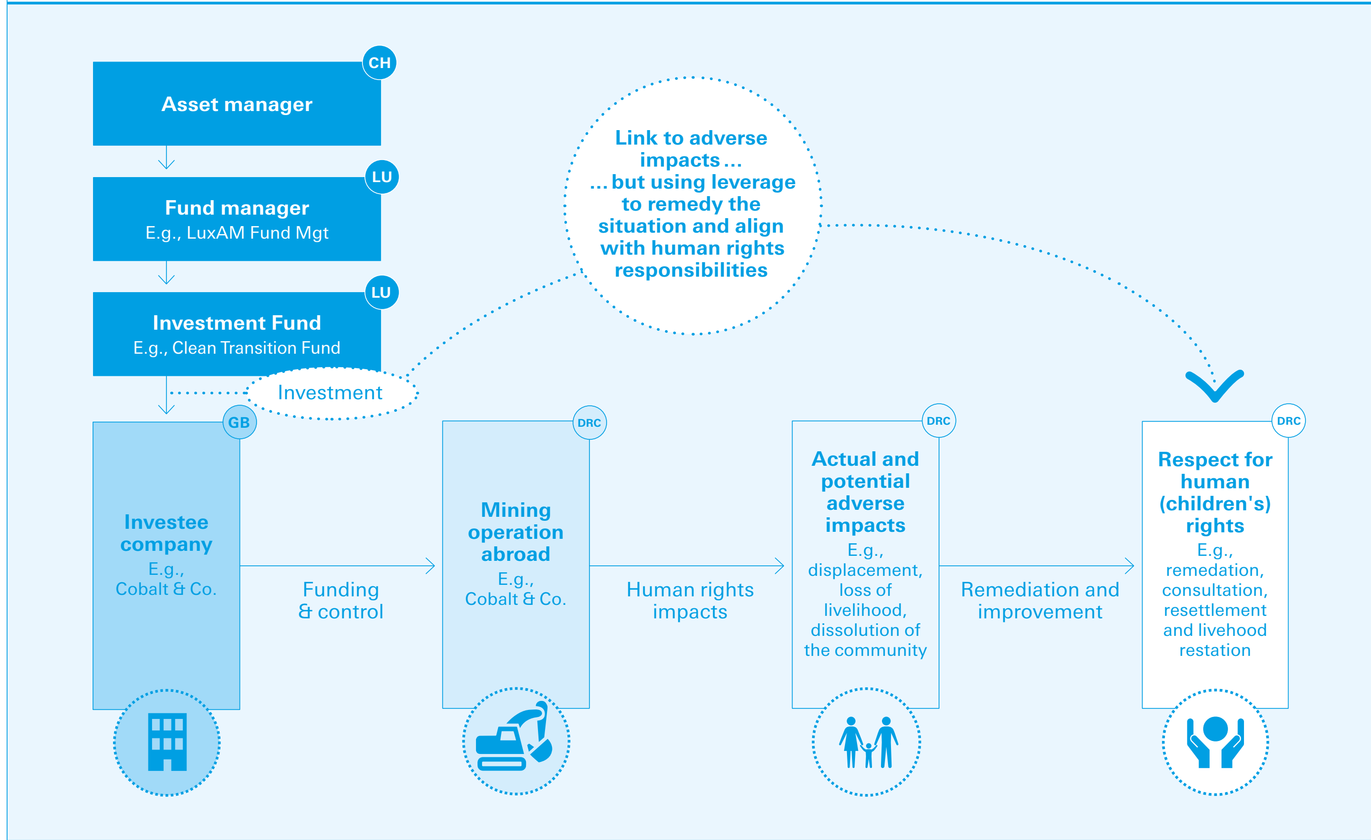
Conclusion: Impact and responsibility

- By providing the Lombard loan, Liechtenstein Wealth Management may be linked to the adverse impacts on children and young people resulting from the company's products and marketing activities.

Figure 8 | Fictional case study

Investment fund

Connection map



Impact path

- The Luxemburg subsidiary of a Swiss asset manager, LuxAM Fund Mgt, manages the "Clean Transition Fund" that invests in private companies contributing to low-carbon technologies.
- The Clean Transition Fund holds a 5 per cent investment in Cobalt & Co., a UK-based cobalt mining company operating in the Democratic Republic of Congo. The Fund was impressed by Cobalt & Co.'s plan for a new, highly automated cobalt mine with high worker safety standards.
- 8 months after the investment the Clean Transition Fund learns that Cobalt & Co. has started expelling 30 families, including children and the elderly, from the planned mine site. The community had lived there for five years and relied on small-scale agriculture and logging. The company had not consulted with them nor planned to provide alternative housing or infrastructure like a health center or a school.
- The Clean Transition Fund demands that Cobalt & Co. immediately halt the mine development, consult with local communities, and develop a resettlement and livelihood restoration plan within six months, and remediate the impact already caused, threatening to withdraw its investment if progress is insufficient.

Conclusion: Impact and responsibility

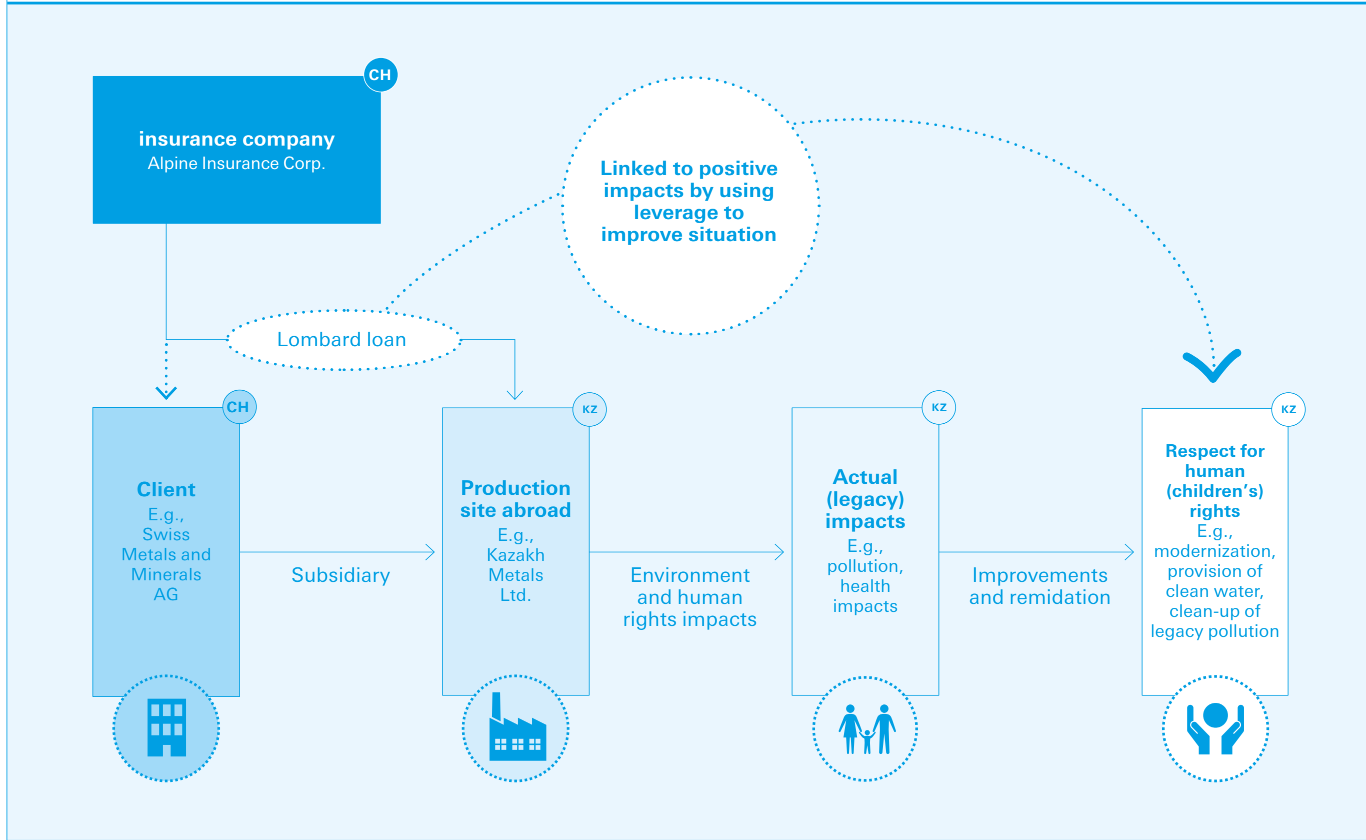
- Through its investment, the Clean Transition Fund is linked to the adverse impacts on children and families but is using its leverage to remedy impacts and improve the situation.
- LuxAM Fund Mgt is linked to these impacts because it manages the Fund, and the Swiss asset manager is associated with these impacts due to its ownership of LuxAM Fund Mgt.

5. Companies' and financial institutions' impacts on children's rights

Figure 9 | Fictional case study

Insurance underwriting

Connection map



Impact path

- Alpine Insurance Corp., a medium-sized Switzerland-based insurance company, was asked to provide insurance underwriting for the expansion of the metals smelter of Kazakh Metals Ltd. in Kazakhstan, a subsidiary of Swiss Metals & Minerals AG. Kazakh Metals Ltd. processes manganese and nickel that are essential for the energy transition.
- Historically, Kazakh Metals' operations have caused significant environmental damage, including water, air, and soil pollution, which has impacted nearby communities, including a kindergarten, several school facilities and a large residential area.
- During the due diligence for this potential transaction, Alpine Insurance Corp. became aware of these issues. After internal discussion and escalation to senior management, Alpine Insurance Corp. decided to engage with Swiss Metals & Minerals AG about environmental and social conditions attached to the insurance underwriting.
- Ultimately, Alpine Insurance Corp. provided insurance cover to the smelter expansion on the condition that Kazakh Metals Ltd. equips the expanded smelter with modern technology that minimizes emissions and pollution, and that it provides clean water to the kindergarten, schools and residential buildings and develops a plan with the local authorities to clean up the legacy pollution.

Conclusion: Impact and responsibility

- By issuing insurance cover subject to these conditions, Alpine Insurance Corp. is linked to the positive impacts on the environment and people resulting from these improvements.

6. Analysis of Swiss and Liechtenstein financial institutions’ impacts and actions on children’s rights

Democratic Republic of Congo (DRC). Children work in gold mines. According to UNICEF, around 40’000 children - many from displaced families - are involved in mining, mainly for cobalt used in mobile phones and electric cars. Businesses, including financial institutions, should encourage and support efforts to address the root causes of child labour and recognize the intersection between children’s rights, climate adaptation and a just transition to a net-zero economy.

This study aims to assess the actual impact of Swiss and Liechtenstein financial institutions on children's rights. This chapter estimates the relative exposures of Swiss and Liechtenstein banks, wealth and asset managers, and insurance companies to clients and investee companies operating in sectors known to have material impacts on children. Here, we share the results of our research and interviews, highlighting the extent to which these financial institutions currently integrate the consideration of children's rights into their governance and strategy, risk management procedures, and products and services. At the end of this chapter, identified gaps and challenges in addressing children's rights are presented.

"Children are among the most marginalized and vulnerable members of society and can be disproportionately, severely, and permanently impacted by business activities, operations, and relationships."

Prof. John Ruggie, former UN Secretary-General's Special Representative on Business and Human Rights

6.1. Estimated sector exposures

It has become possible to quantify the impact of a financial institution on climate change by calculating the greenhouse gas emissions from its own operations and those resulting from its financial services. Guidance on such calculations has been developed for financed emissions (loans), facilitated emissions (capital market transactions and investments) and insurance-associated emissions.[38] In contrast, to date there is no quantitative method for measuring the impact of financial institutions' business activities on children's rights, either individually or collectively as an industry across countries.[39] This study attempts to bring a quantitative dimension to this typically qualitative topic.

Approach and challenges

The figures that follow are based on information in publicly available annual reports issued by Swiss and Lichtenstein financial institutions. The 2023 annual reports of the 30 financial institutions in scope of this study were searched for quantitative information about the relative volumes of their lending to, investing in, or insurance underwriting to the different industry sectors. However, very few of these financial institutions are publishing such information at a sufficiently granular level. Only the disclosures of two large Swiss banks (one operating internationally, one primarily domestically) and one Swiss insurance company (which also is active in asset management) were useful for this purpose.

As a further source to estimate the sector distribution of an average investment portfolio, the current composition of the global MSCI bonds and stock indices were used. As a further challenge, the different sources use varying sector names, which makes comparison more difficult. Therefore, the figures presented below should be considered estimates and are not meant to be precise or representative.

Sector exposures

The figures that follow give an indication of the relative sector distribution of two banks' lending portfolios, the MSCI bonds and stocks indices, and one insurance company's managed corporate bond portfolio.

Analysis of the two Swiss banks suggests that sectors considered at risk of impacting children receive a sizeable proportion of credit, which varies for each bank (see Figure 10).[40] For the internationally operating bank, lending to banks and other financial institutions constitutes nearly half (appr. 48 per cent) of its total loan portfolio. Meanwhile, for the bank operating primarily in Switzerland, the manufacturing sector accounts for the largest portion of credit (appr. 33 per cent). Additionally, the automobile and technology and communications sectors hold considerable weight in the domestic bank's portfolio, representing approximately 21 and 14 per cent of the total exposure, respectively. Except for automobile, these weighty sectors are deemed to have material impacts on children's rights.

To estimate the potential sector distribution of investments by Swiss and Liechtenstein financial institutions, we assumed that a significant portion of the assets held by banks and wealth and asset managers on behalf of their clients are invested according to widely used, well-diversified, global indices. Figure 11 presents the relative sector weighting of the MSCI IG Core Corporate Bonds Index for corporate bonds and the MSCI World Index for stocks as of 30 June 2024.[41]

While the sector weights of the bond and stock indices are generally aligned, a key difference is the prominence of the financials sector in the stock index, which holds a 40 per cent weight. In contrast, the bond index is dominated by the information technology sector with 26 per cent.

Other sectors with substantial weights in both indices include healthcare, communication services, consumer discretionary and consumer staples, respectively. All of these sectors are considered to have material impacts on children's rights.

One Swiss insurance company discloses the composition of its managed corporate bond portfolio in its 2023 annual report (see Figure 12). While the disclosure does not include information about the underwriting side of the business, it provides insight into the sectors where the insurer holds capital reserves to be paid out in case of an insured incident or event.

6. Analysis of Swiss and Liechtenstein financial institutions' impacts and actions on children's rights

Figure 10

Credit distribution across sectors, as disclosed by two Swiss banks in their 2023 annual reports

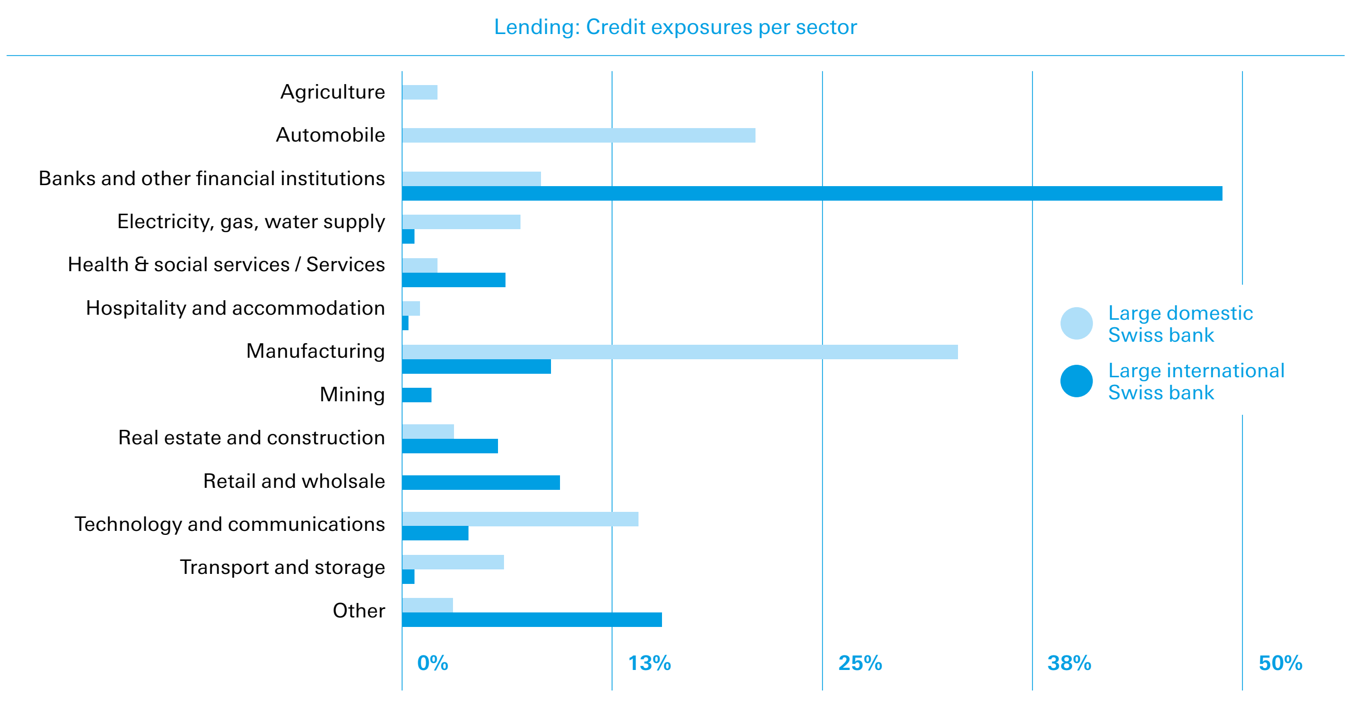
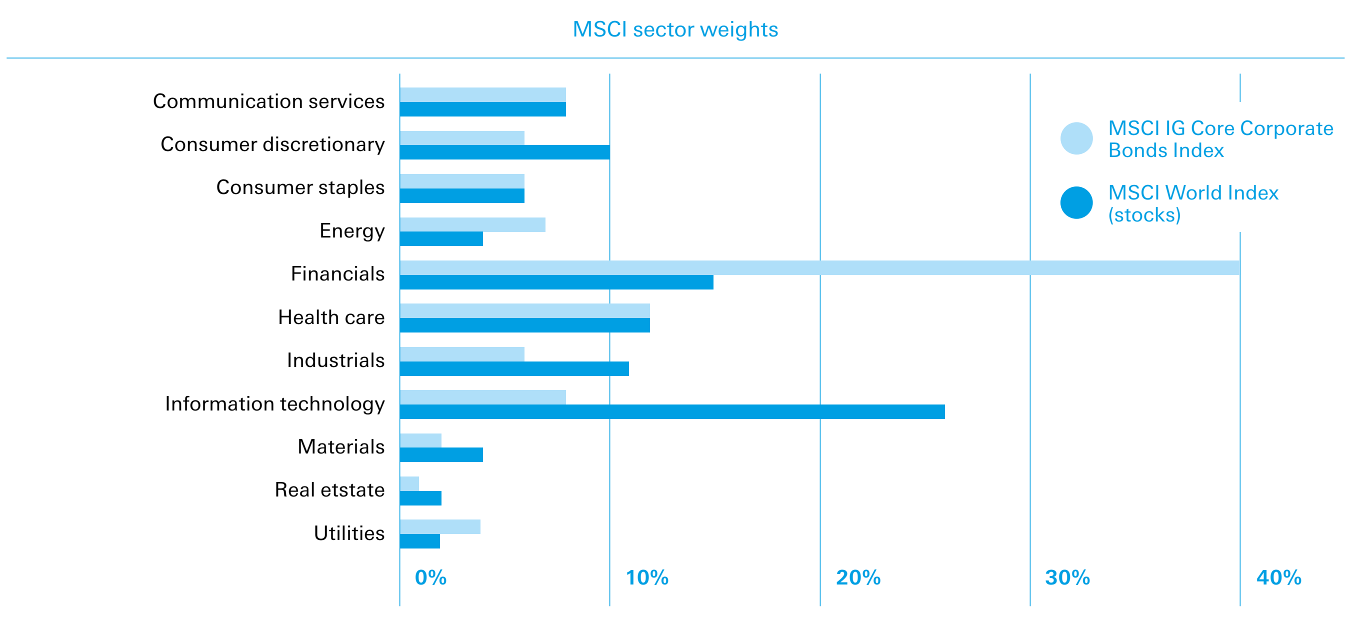


Figure 11

Relative sectors weights of MSCI bond and stock indices, as of 30 June 2024



Similar to the loan portfolio of the internationally operating bank and the MSCI corporate bonds index, the financial sector, which includes banks and other financial services, dominates the insurance company's bond portfolio with a 40 per cent weight. The remaining sectors are fairly evenly distributed, with non-cyclical consumers goods having a slightly higher weight at 9 per cent, compared to 6 per cent for discretionary consumer goods, industry and utilities. From a children's rights perspective, the financial and consumer goods sectors are particularly significant, along with health and communication, which hold a 5 per cent weight each.

Concluding observations on the quantification attempt

While this attempt to quantify the potential impact of Swiss and Liechtenstein financial institutions on children's rights is not representative, it allows the conclusion that banks, wealth and asset managers, and insurance companies can be expected to typically be exposed to sectors known to impact children.

For institutions focused on their domestic markets, this exposure may be less significant than for their internationally operating counterparts. However, it is essential to acknowledge that children's rights issues can also arise within Switzerland and Liechtenstein. For example, children may be impacted by the working conditions of their parents and caregivers in sectors such as agriculture, tourism, hospitality, and cleaning services. Additionally, impacts from products (e.g., foods high in sugar or salt), consumer goods (which for instance may be unsafe or unsuitable for children) or technology (e.g., data privacy concerns, online bullying, or excessive app use) and their respective marketing practices can cross borders and affect children anywhere.

Children's rights issues may also arise in Switzerland and Liechtenstein, with potential impacts arising from parental working conditions in sectors such as agriculture, tourism, hospitality or cleaning services, and directly from products, consumer goods or technologies that may be unhealthy or unsuitable for children.

Moreover, the value chains of clients and investees often extend beyond Switzerland and Liechtenstein. For instance, the Swiss bank focused primarily on the domestic market has 33 per cent of its credit exposure in the manufacturing sector, which may involve various children's rights concerns due to complex global supply chains.

Notably, the financial sector holds a significant weight in each of the three estimates, ranging between 40 and nearly 50 per cent. This underscores the need for banks, wealth and asset managers, and insurance companies to understand how their own sector may impact children's lives – either positively or negatively. They should consider how their financial-sector clients and investees address children's rights and engage with and them to learn and improve on these issues.

6.2. Management of children's rights impacts and actions by Swiss and Liechtenstein financial institutions

Basing research on publicly available information, the assessment of Swiss and Liechtenstein banks, wealth and asset managers, and insurance companies focused on identifying commitments to children's rights within governance procedures, materiality assessments, and the integration of these considerations into lending, investment, and underwriting policies. Additionally, due diligence processes and the product and service offerings were evaluated. The research also included non-philanthropic stakeholder engagement activities or participation in multi-stakeholder initiatives related to children, as well as consideration for children in financial institutions' climate or transition strategies.

Interviews with representatives from three banks, one wealth and asset manager, and two insurance companies helped clarify and corroborate insights from their published materials. These discussions addressed challenges in promoting children's rights within the financial sector, the actual influence financial institutions have, and ways to enhance positive impacts through client and investee engagement.

Structured into 'governance and strategy', 'risk management', and 'products and services', the following sections present the research findings, with charts illustrating the distribution of various child-related elements across the three types of financial institutions. Informative examples of financial institutions' current activities in these areas are presented as 'noteworthy approaches'.

Governance and strategy

The research looked for evidence of children's rights considerations in financial institutions' sustainability or corporate responsibility commitments, including mission statements and human rights policies, and checked for references to children in their materiality assessments.

While twenty of the thirty financial institutions have a stated commitment to human rights, just two banks, one wealth and asset manager, and one insurance company commit to protecting children's rights beyond child labour concerns (see Figure 13). When it comes to considering human rights in their materiality assessments, six banks and five wealth and asset managers indicate they do so, but only two insurance companies do the same. Children are mentioned in the materiality assessments of two banks, one wealth and asset manager, and two insurance companies, and all of these in connection with avoiding child labour.

Figure 12

Sector distribution of managed corporate bond investments, as disclosed by a Swiss insurance company in its 2023 annual report

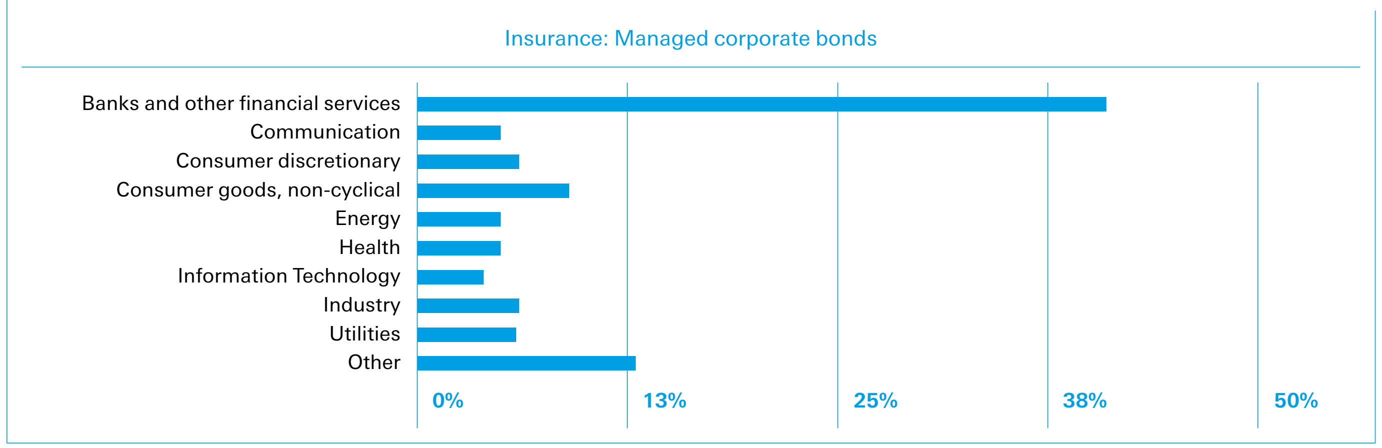


Figure 13

Governance and strategy elements identified

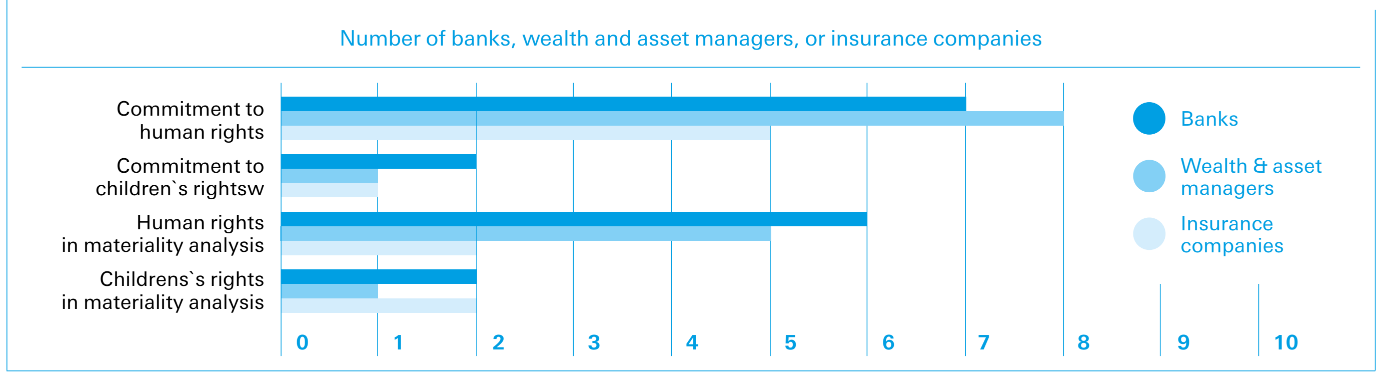
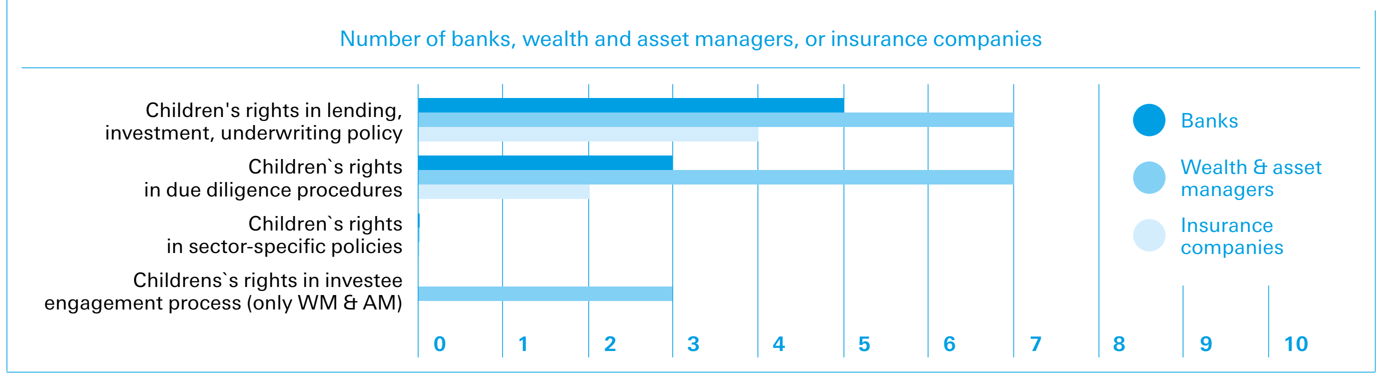


Figure 14

Risk management elements identified



Noteworthy approaches to considering children's rights in **governance and strategy** include:

Banks

One bank's sustainability policy states: "Within our sphere of influence we respect and support measures to uphold internationally applicable human rights as set out by the United Nations, … as well as the rights of children."

The mission statement of one bank indicates that in its business activities it is "committed to the common good, to people, nature and a globally sustainable quality of life for present and future generations."

One bank states that its material topics include "social cohesion and human rights, which means to refrain from financing activities, for example, that violate United Nations' human rights standards, including the prohibition of child labour and forced labour."

Wealth and asset managers

One asset manager describes managing sustainability risks by using the concept of "double materiality," which among "societal topics" includes "human rights (child labour and forced labour)."

Insurance companies

One insurance company acknowledges that its business "may involve potential adverse human rights impacts," and states it is "determined to respect human rights both in our own operations and in our insurance and investment business." One insurance company's commitment to respect human rights explicitly "encompasses … the Convention on the Rights of the Child (CRC)."

Risk management

For risk management, the research examined financial institutions' lending, investing, and underwriting policies — both cross-sectoral and sector-specific — for any references to children. Where available, public due diligence procedures were also checked for such references. For the ten wealth and asset managers, their published engagement and stewardship practices with investee companies were reviewed for any mention of children.

Children's rights are covered in the lending, investment or underwriting policies of sixteen of the thirty financial institutions (see Figure 14). In all but one case, however, this is narrowly defined with respect to avoiding financing, investing in or underwriting business activities associated with child labour. The notable exception is one wealth and asset manager which cites the CRBP among the foundations for its sustainable investment policy.

Similarly, three banks, seven wealth and asset managers, and two insurance companies explicitly refer to child labour in the description of their due diligence procedures, but only one wealth and asset manager mentions children's rights beyond child labour.

Given the likelihood of material impacts on children's rights in several sectors, the fact that none of the analysed financial institutions references children's rights in their sector-specific financing or underwriting policies is surprising.[42]

Finally, three of the ten wealth and asset managers explicitly mention engagement on children's rights as part of their stewardship activities. Two of them are focusing narrowly on child labour, but a third mentions human rights, with explicit inclusion of the rights of children, as part of its five core engagement areas. (Banks and insurance companies were not assessed on the indicator "Children's rights in investee engagement processes".)

Noteworthy approaches to considering children's rights in **risk management** include:

Banks

One bank has defined "controversial activities" where it will not do any business, which includes "child labour according to ILO Conventions 138 (minimum age) and 182 (worst forms)."

In its sustainability report, one bank states that for international commodities trade financing, " within our client relationships, we raise environmental and human rights issues based on the relevant, internationally recognized industry standards with the aim of achieving continuous improvement."

Wealth and asset managers

One wealth and asset manager is basing its "Sustainable Investment Policy and strategy on international conventions and norms, including: The Children's Rights and Business Principles."

As part of its "monitoring of … key topics," one asset manager covers "the internationally applicable human rights of the United Nations, including … the rights of children."

One asset manager refers to an "ongoing dialogue on cocoa certification, child labour and deforestation" in connection with targeted stewardship related to agricultural value chains.

Insurance companies

Among the areas in which a "holistic assessment of sustainability risks and adverse sustainability impacts is particularly relevant to managing risk and return", one insurance company identified the following:

"Social issues and human rights: supporting the humane development of the economy and society … Complying with all relevant laws, in particular taking into account international conventions for the protection of human rights and labour law, including the issues of children's rights and forced labour."

Products and services

In terms of products and services, the research aimed to identify any children's rights considerations not already covered under 'governance and strategy' or 'risk management', as well as those reflected in the financial institutions' sustainable finance strategies. Financial institutions were assessed for non-philanthropic collaboration with third party organisations to develop financial products with benefits for children. Additionally, particular attention was given to products or services specifically designed for children as clients, or those offered to parents, caregivers, or relatives with the stated goal of directly benefiting children.

Not all sustainable, thematic or impact investment can be counted to specifically benefit children.

As shown in the risk management section above, slightly more than half of the analysed financial institutions have policies and procedures in place to assess if products or services related to lending, investing, or insurance underwriting could be linked to child labour; only one wealth and asset manager considers children's rights more broadly in its investment services.

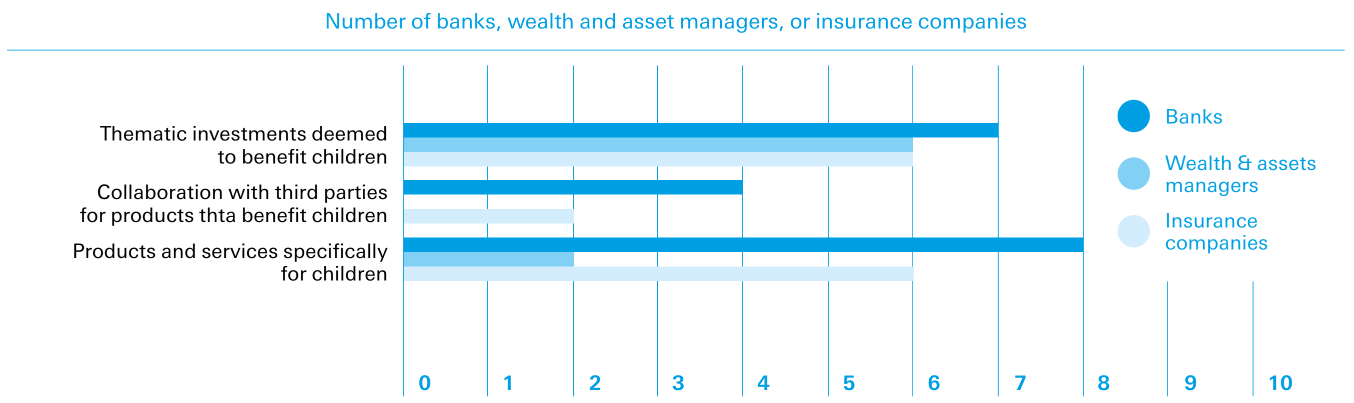
Seeking to contribute to positive impacts on people and the planet, all financial institutions are pursuing sustainable finance approaches (see Figure 15). They incorporate ESG factors into their traditional financial analysis (ESG integration) or offer sustainable or thematic investment options to their clients. Several institutions use a best-in-class approach, investing in companies with a leading sustainability performance within their industries. Others focus on sustainable thematic investments, targeting companies that contribute significantly to environmentally friendly or socially responsible solutions, or that support one or more of the United Nations' Sustainable Development Goals (SDG).[43] A smaller set of financial institutions offers or invests in impact investment products, which not only seek financial returns but also aim to create measurable positive impacts on environmental and social issues.

Not all sustainable, thematic or impact investment can be counted to specifically benefit children. To address this, UNICEF's **Tool for Investors on Integrating Children's Rights Into ESG Assessment**[44] highlights certain SDGs that "aim to improve the lives of children and young people". These are Goal 1 (No poverty), Goal 2 (Zero hunger), Goal 3 (Good health and well-being), Goal 4 (Quality education), Goal 5 (Gender equality), Goal 6 (Clean water and sanitation), Goal 8 (Decent work and economic growth), Goal 10 (Reduced inequalities) as well as Target 16.2 (End abuse, exploitation, trafficking and all forms of violence against and torture of children). Based on this definition, seven banks and six wealth and asset managers offer thematic or SDG-related investments that benefit children, whereas six insurance companies offer or invest in products that align with these goals. The most common focus areas of these investments are improving nutrition, access to education, and healthcare.

A group of Swiss banks recently launched a joint sustainable investment fund dedicated to supporting education. Each year, a portion of the fund's assets is allocated to a United Nations-affiliated program that focuses on education in emergencies and crisis situations. Moreover, one Swiss bank

Figure 15

Products and services elements identified



created a large-scale investment vehicle specifically aimed at funding basic education in countries of the Global South. To reduce financial risks, this investment is structured using a blended finance approach, where development finance institutions participate as co-investors and bear some of the risks.

In addition to the above examples of third-party collaboration, two Swiss banks have a non-philanthropic collaboration with external organisations that benefits children. In connection with their offering for clients to invest in physical gold, both work with credible organizations that promote responsible environmental and social standards in gold mining and improve living conditions in gold mining communities, which directly benefits children. In the insurance sector, two large, internationally active Swiss companies are offering micro-insurance solutions designed to improve financial inclusion and strengthen the economic and social resilience of low-income populations.

Eight banks and six insurance companies, especially those with a strong presence in the domestic retail markets of Switzerland and Liechtenstein, offer products and services targeted at children as clients or intended to specifically benefit them. These are either products that can be used by children or young people (such as youth savings accounts or payment card) or are set up by parents and caregivers on behalf of children (e.g., funds savings plans or insurance solutions).

Wealth and asset managers are less involved in retail businesses, and they tend to have few products or services benefiting children. Accordingly, only two wealth and asset managers describe products that benefit children, albeit more indirectly, in that they hold companies in their portfolio that provide early childhood education and care services or pursue ESG investment themes such as "knowledge," which contribute to the United Nations Sustainable Development Goal of basic education for all.

Financial institutions only apply usual precautions, such as monitoring account balances and implementing anti-money-laundering procedures, to prevent adverse impacts or the misuse of their child-specific products or services.

Our research found that the financial institutions only apply usual precautions, such as monitoring account balances and implementing anti-money-laundering procedures, to prevent adverse impacts or the misuse of their child-specific products or services. Financial institutions did not disclose whether the proceeds of savings or investment products intended to benefit children were invested in a sustainable or socially responsible way, aiming to avoid adverse impacts on children's rights or increase positive outcomes for children.

Noteworthy approaches to considering children's rights in **products and services** include:

Banks

Two banks offer traceable and certified gold bars from mining operations which do not use child labour, protect the environment and the health and safety of workers, and support miners and their families and the wider community.

A joint sustainable investment fund was launched in June 2024 by a group of banks with a portion of the assets allocated to support a specialised organisation's education programme.

One bank established a blended finance investment vehicle to fund basic education, working with third parties to share risks.

Various banks offer banking packages for children up to 11 or 12 years, for young people up to 18 or 20 years, and for young people in education between 16 or 18 and 30 years, in some cases at preferential rates and complemented with training materials on financial literacy.

Wealth and asset managers

Since 2018, one asset manager has held the United States' largest for-profit provider of early childhood education and care services in its portfolio.

"Investment sector: Knowledge" is what one asset manager defined to identify companies with a positive impact by providing learning solutions for as many children as possible, including through the use of technology.

Insurance companies

Two insurance companies collaborate with third parties to offer micro-insurance solutions for low-income populations.

Various insurance companies offer insurance products and solutions for and to children and young people, in some cases at preferential rates and supplemented with specific features or additional informational material.

Climate and environment

At the start of this study, we assumed that at least some of the financial institutions would consider how children are impacted by climate change, the transition to a net-zero economy or broader environmental impacts. None of the financial institutions mention children or the next generation in their climate or environmental commitments or transition strategies.

Concluding observations on the research findings

Our research reveals varying levels of awareness and commitment to children's rights across the three types of financial institutions. While most financial institutions have a general commitment to human rights, specific commitments to children's rights are rare, and operational procedures primarily focus on avoiding child labour. The level of engagement with children's rights seems to correlate with the institutions' business models and target markets, with those serving domestic retail markets more likely to offer products and services directly targeted at children, albeit without robust measures to prevent potential adverse impacts.

The majority of the thirty financial institutions acknowledge their responsibility for human rights in their policies, yet only a few have explicitly committed to children's rights beyond the issue of child labour. This limited scope is reflected in the institutions' materiality analyses, where children's rights are often overlooked or narrowly defined as child labour.

While slightly more than half of the thirty financial institutions include children's rights in their risk management policies, this is mostly limited to avoiding associations with child labour. Only a handful make broader references to children's rights, and sector-specific approaches to managing risks to children's rights are notably absent. Engagement on children's rights as part of stewardship activities is also limited, with efforts concentrated on child labour.

All of the analysed financial institutions mention sustainable finance approaches that integrate ESG factors into their financial analysis or offer sustainable investment options, with some including thematic investments that support the UN's SDGs. While not all these investments are considered to specifically benefit children, a majority of banks, wealth and asset managers, and insurance companies offer or invest in products aligned with those SDGs that improve children's lives, particularly in areas like nutrition, education, and healthcare.

While the majority of financial institutions acknowledge their human rights responsibilities in their policies, few explicitly commit to children's rights beyond child labour.

Financial institutions with a strong presence in the domestic retail markets of Switzerland and Liechtenstein are more likely to offer products and services targeted at children, such as savings accounts and insurance solutions. However, there is little evidence of measures taken to prevent adverse impacts from these products or to ensure that investments made by or on behalf of children are socially responsible or sustainable. Wealth and asset managers, due to their limited involvement in retail markets, offer fewer child-specific products, though some engage indirectly by investing in sectors that benefit children.

None of the institutions studied explicitly include children in their climate, environmental or transition strategies.

While we identified several noteworthy approaches among the Swiss and Liechtenstein financial institutions, especially with investment products supporting those UN SDGs that specifically benefit children, their overall commitment to children's rights remains limited and is often restricted to avoiding child labour. There is a significant opportunity for these institutions to broaden their approaches to children's rights by integrating these considerations more comprehensively into the human rights commitments and social dimensions of their ESG strategies – this will anchor children's rights more strongly in governance, risk management, and products and services.

6.3. Gaps in knowledge and perception

Our research has shown that Swiss and Liechtenstein financial institutions rarely incorporate children's rights explicitly into their governance or strategy documents. Lending and investment policies and due diligence procedures often address child labour but seem to overlook broader children's rights issues associated with products and services. Some banks and insurance companies offer products for children, but there is little evidence of proactive measures to prevent misuse or ensure positive outcomes.

The interviews confirmed these findings and pointed to the following potential reasons for the identified limitations:

Lack of awareness and understanding

- Financial institutions are not likely to recognize that children's rights can be a material issue beyond child labour.
- There is insufficient understanding of how financial institutions' products, services and investments are connected to impacts on children caused by clients and investees across various sectors, or in different countries.
- Even comprehensive human rights policies do not specifically address children's rights, viewing them merely as an implicit subset of broader human rights.

Competing priorities

- Financial institutions serve the entire economy, and as such are juggling numerous issues that require attention. One insurance company noted that its sustainability risk framework captures hundreds of current and future risks. While climate change has been the dominating sustainability challenge in the last years, biodiversity and nature are emerging topics of the future.[45]

- Another interviewee remarked that new reporting and disclosure obligations carry the risk of diverting internal resources away from actively managing actual impacts, such as those on children's rights.
- Client demand and business opportunities are more pronounced for climate-related products and services than for children's rights. As banks rarely include children's rights aspects explicitly as part of the social dimension of their ESG offering, they are not sufficiently capturing growing client demand for ESG investments to direct funds towards activities that directly benefit children beyond SDG-aligned investments that support education or health care.

Perceived lack of materiality and leverage

- Most institutions do not consider children's rights material to their balance sheets or risk profiles.
- Financial institutions question their leverage over clients' and investees' management of children's rights.
- Many financial institutions operating in Swiss and European markets, where children's rights are reasonably well protected by law, feel the materiality of this topic is low.

Child-lens perspective

- Financial institutions lack a child-lens perspective across their business activities and sustainability topics that would help them consider the specific needs and vulnerabilities of children. Child-rights concerns intersect many material issues that financial institutions manage actively, such as human rights, climate change, or ESG investing.
- Most of the analysed financial institutions have stated commitments to respect human rights, but they have not set up their human rights management processes in ways that also cover children's rights.
- All three types of financial institutions offering ESG investment products or conducting ESG investment activities do not actively consider children's rights as part of the social dimension in their ESG-related decision-making.

6.4. Challenges and missing pre-conditions

Financial institutions' limited approach to children's rights is not solely due to lack of awareness or perceived insignificance. Interviews also revealed several practical challenges and missing pre-conditions:

Data availability and relevance

- Overall, there is a lack of decision-useful qualitative and especially quantitative data on human rights-related issues when compared to the abundance of environmental data.
- ESG research and rating providers seldom cover children's rights beyond child labour. One of the few indices that explicitly cover children, the MSCI World Impact ESG Select Children's Rights Index, for example, combines a conventional company ESG rating with a child labour score to remove companies involved in child labour controversies from the index.[46] Presumed reasons for this narrow approach are the difficulty to quantify children's rights in the context of business activities more broadly and limited client demand, because such information is perceived to be of low importance.
- As children's rights are not considered a material driver of business risks or opportunities, they generally are not factored into companies' ESG ratings; therefore, investors rarely engage companies on this topic.
- The topic of children's rights and business is vast, and broadly applicable key indicators with relevance for companies are still lacking. For example, data on child labour or other impacts is often based on news reports after incidents occur (i.e., reactive), instead of presenting information on companies' integration of children's rights into their governance, strategies and risk management that would allow for forward-looking evaluations (i.e., proactive).
- Company-level data is useful when it can be contextualised, for example how children's rights are impacted throughout specific commodities value chains. Such qualitative context that reflects a bigger picture situation is often missing.

Operational aspects

- Financial institutions have limited leverage and engagement opportunities when they are holding pooled funds instead of individual companies. Passive investing (i.e. index-tracking) further reduces the leverage of a financial institution.
- Lending and underwriting often operate on tight timelines, leaving little room for in-depth due diligence in relation to children's rights as part of human rights, or when considering the social dimension of ESG risks.

A whole-of-society approach

- Protecting children's rights requires contributions from all actors, including regulators, policymakers, data providers, sustainable finance and other industry associations, and financial institutions themselves and their clients.
- Collaboration among all stakeholders is necessary to maximize the impact of disclosed data, such as the data reported under the CSRD and ESRS (see chapter 4.3).

7. Recommendations: How the Swiss and Liechtenstein financial industry can promote and protect children's rights

Rwanda. Christophe and Theodette proudly hold their son Kevin, 2, during a break in a field at the Sorwathe Tea Factory where they both work. During working hours, Kevin is looked after at the on-site Early Childhood Development Centre. Family-friendly policies are paramount and show how investing in support for parents lays the foundation for thriving children, societies and economies.

The recommendations below reflect this study's findings and outline ways for financial institutions and other key stakeholders in Switzerland and Liechtenstein to actively promote and uphold children's rights through their core business activities.

Chapter 7.1 suggests ways that banks, wealth and asset managers, and insurance companies can integrate children's rights considerations into their governance, strategy, risk management, product and service offerings, and reporting. Chapter 7.2 addresses key stakeholders for the financial industry, such as corporate clients, ESG data providers, and regulators, suggesting ways these actors can contribute to a more impactful approach to safeguarding and promoting children's rights.

Top 10 recommendations

Recommendations to banks, wealth and asset managers, and insurance companies:

1. **Apply** a **'child-lens approach'** to governance, strategy, risk management, and products and services, and commit to upholding children's rights
2. Consider children's rights in the **double-materiality assessment** and disclose accordingly
3. Recognize the **positive and negative impacts** of all **financial products and services on children** (directly and indirectly via parents and caregivers); when material adverse impacts are possible, conduct due diligence
4. As part of sustainable or ESG investing strategies, **conduct positive screening** to identify companies with an above-average performance in relation to children's rights and create innovative products
5. **Improve stewardship and engagement** with clients and investee companies to promote children's rights
6. **Include children's** and human **rights considerations** in the financial institution's **net-zero transition plan** and strive for a **just and inclusive transition**
7. **Participate** in **multi-stakeholder initiatives** to increase leverage and **seek expertise** to promote children's rights

Recommendations to other key stakeholders:

8. **Corporate and institutional clients** of financial institutions should **commit to respecting the rights of children**
9. **ESG research companies, data providers** and **reporting standard-setters** should **contribute** to the availability of meaningful and comparable data
10. **Regulators and policymakers** should **consider children's rights comprehensively beyond child labour** and along the entire value chain, and **hold financial institutions accountable** to the **same standards** as other companies

7.1. Recommendations to banks, wealth and asset managers, and insurance companies

Starting with the foundation of a set of governance- and strategy-related recommendations, this chapter subsequently outlines recommendations to financial institutions for reducing adverse impacts and increasing positive impacts.

7.1.1. Overall governance and strategy

The following recommendations inform financial institutions' overall approaches to children's rights and their integration into governance procedures and strategy. This section also explores ways to increase leverage.

- **Apply a child-lens approach** to governance, strategy, risk management and products and services. Through a child-lens approach financial institutions intentionally consider child-related factors to advance positive child outcomes while minimizing child harm. Recognizing children as particularly vulnerable stakeholder group, for example in the context of climate change, enables a financial institution to include children's rights considerations in its climate strategy and its assessment of climate risks and opportunities.
- **Publish a stated policy commitment** that sets out the financial institutions' responsibility **to respect human rights, including children's rights** beyond child labour, with Board oversight on the policy, supported by internal training for employees. The policy should reference the United Nations Convention on the Rights of the Child and the Children's Rights and Business Principles.[48]
- **Include children's rights aspects explicitly:**
  - as part of the financial institution's **human rights commitment** into the **lending** (banks), **investment** (banks, wealth and asset managers, insurance companies) or **underwriting** (insurance companies) **policies**, respectively, and include them accordingly in the monitoring and measurement processes for client and investee projects and operations.
  - in **sector-specific policies** for lending, investment or underwriting activities, respectively, for **industries with elevated adverse impacts** on children (e.g. agriculture, extractives, food and beverages, consumer goods manufacturing, etc.). These should provide guidance on how to identify, address and engage on human and children's rights issues typically associated with the sector concerned.
- **Include children's** and **human rights considerations** in the financial institution's **net-zero transition plan** and strive for a **just and inclusive transition**. The transition to a zero-carbon economy requires an integrated approach combining environmental and social sustainability. To develop and implement their transition strategies in a just and inclusive way, banks, wealth and asset managers, and insurance companies must consider the fundamental rights of the people affected by the resulting changes, especially those that are most vulnerable, such as children. Otherwise, the transition might lead to unintended consequences and adverse impacts on children's rights (e.g., loss of income to caregivers due to the disappearance of industries and jobs; child labour associated with the extraction of critical materials for the green transition). At the same time, the transition offers numerous opportunities for financial institutions to invest in and support climate adaptation in local communities to build resilience of ecosystems, societies and livelihoods.
- **Consider children's rights** consciously as potential material topic in the financial institution's **double-materiality assessment**, or include them explicitly **as part of human rights** by applying a child-lens approach. (Note that this does not predetermine the level of materiality of these issues.) Where children's rights are deemed material, disclose on this topic through the institution's **reporting**, describing connections to children's rights, potential impacts, risks and opportunities, and measures taken by the financial institution.
- **Strategically collaborate** in **stewardship and advocacy activities** by engaging jointly with other financial institutions and companies from other sectors (in conformity with applicable anti-trust / anti-competition regulations), thereby increasing an individual institution's leverage (see box below "Leverage"). Participate in key business initiatives directed at or related to children's rights, including multi-stakeholder initiatives, for example the Child Rights in Business (CRIB) Working Group, the Liechtenstein Initiative (Finance against Slavery and Trafficking, FAST), or the Swiss Better Gold Association (SBGA). Seek support from UNICEF and other expert organizations (e.g. other UN bodies, standard setters, academia, NGOs).
- **Review and align** your financial institution's **public policy engagements** with governments and policymakers (both directly and through industry associations) with your institution's commitment to respect human and children's rights. Ensure that there are no material discrepancies between the financial institution's public commitments and the policy positions it advocates.

Leverage

Leverage is about using influence in business relationships to change outcomes. Banks, wealth and asset managers, and insurance companies have varying degrees of leverage over their suppliers, clients and investee companies. In situations where the business partner is expected to improve its behaviour, banks should look for ways to increase their leverage. Building on a typology first defined by Shift, the Liechtenstein Initiative (FAST) explains four categories of leverage:

Bilateral leverage:

- Traditional commercial leverage (through contract audits, bidding criteria, loan conditions, commercial incentives, questionnaires and financial incentives)
- Broader business leverage (e.g., capacity-building, awareness-raising, bilateral advocacy)

Collaborative leverage:

- Working with one or more business partners (e.g., creating shared industry supplier requirements)
- Working with one or more non-commercial partners (e.g., involving government, international organizations, trade unions or civil society)

System-level leverage:

- Multi-stakeholder cooperation to create 'ecosystem' change

Platform leverage

(also applies to ESG data and rating providers):

- Embedding aspects of children's rights (in this case) in the business operating systems on which other market actors rely (e.g., payment systems, industry-wide codes, contracting templates)

The Liechtenstein Initiative's Leverage Practice Matrix provides concrete examples of how these types of leverage have been applied to actual business situations.

7. Recommendations: How the Swiss and Liechtenstein financial industry can promote and protect children's rights

7.1.2. Reducing adverse impacts

The following recommendations concern financial institutions' **risk management approaches** and efforts to "do no significant harm." They cover children's rights to be protected against adverse impacts linked to a financial institution's products or services through a business relationship, i.e., a borrower, investee company, or underwriting client, as well as a financial institutions' own products and services. The CRBPs support efforts to implement robust due diligence procedures in line with the UNGPs and the OECD MNE Guidelines. The UNICEF **Tool for Investors on Integrating Children's Rights into ESG Assessment** provides indicators to assist this due diligence.[49]

Before a financing, investment or insurance decision – screen and perform due diligence:

- **Screen prospects for potential links to impacts on children's rights** as part of the financial institution's **client onboarding process**, including a prospect's business activities or source of wealth, and in connection with the financial service being considered, such as the issuance or renewal of a loan, the provision of insurance underwriting, or an investment in a listed or unlisted company.[50] If potentially material adverse impacts are identified, carry out due diligence (also on business relationships in the financial sector, as required). Ask questions to understand the situation and the prospect's willingness and capacity to address these issues, including the prospect's ability to screen its own suppliers. Refrain from entering into the business relationship or providing the financial service if the adverse impacts cannot be sufficiently mitigated. However, de-risking the portfolio must not lead to a worsened situation for groups, individuals or children.
- **Assess the risks to children's rights** in the **operating context** of a prospect, client or investee company, especially in the Global South, such as the strength of the host country's regulatory framework (including child protection) and consider aggravating factors that increase children's vulnerabilities such as conflict, displacement or natural disasters.
- **Systematically assess and understand your financial products' and services' potential impacts on children**, directly and indirectly via parents and caregivers, or through impacts on children's local communities and environments, as part of due diligence and financing, investment or underwriting decision-making. Corporate loans to, investments in, or insurance underwriting for companies in sensitive sectors can link financial institutions to such impacts. When offering physical gold for investment purposes, seek certification and traceability to minimize adverse impacts from unsustainable mining practices on children, their caregivers and wider communities. Refrain from offering investment or insurance products which facilitate clients' tax practices that deprive governments of revenues needed to provide basic services for society, including children.[51]
- Give **particular attention** to potential **adverse impacts from financial products offered to children as clients**, such as youth savings accounts that allow overspending or purchase of unsuitable online content, or insurance solutions that incentivize excessive risk-taking.

Red flags

Define and be vigilant for red flags that indicate potential impacts on children's rights. Red flags may be found in clients' or investees' business models across a range of sectors. The presence of one or more red flags should prompt a financial institution to conduct a more in-depth assessment (due diligence) to understand the situation and take appropriate action.

Shift's tool Business Model Red Flags presents 24 red flags in client or investee companies' business models, some of which are particularly relevant for financial institutions. Each of these red flags can be directly linked to adverse impacts on children or indirectly by adversely impacting their parents or caregivers:

- Goods or services being manufactured in lowest-cost ways that create tension with labour rights or result in pay which is below a living wage
- High-speed delivery of goods that places pressure on warehouse and logistics workers
- Project timelines that undermine consultation with communities
- Products that cause harm when overused or misused
- Commodities with unclear provenance or concealed impacts on workers or communities
- Natural resources being depleted in ways that undermine their availability, access or health
- Online platforms with potential for online and offline harm (e.g., social media and messaging platforms with a high number of children and young people as users, web-based video services)
- Customer data that is collected, held or monetized in ways that impact privacy and other human rights

After a financing, investment and insurance decision, while the lending, investment and underwriting relationship exists – monitor and engage:

- **Regularly monitor and measure** how clients and investees manage their **impacts on children**. Use tools like media-search or third-party data providers to alert you to incidents/developments of concern that (could) affect children.
- **Conduct engagement** with clients and investee companies to understand the causes of such developments and the measures being taken to address them.
  - Ask targeted and realistic questions to clients and investee companies operating in sectors or countries with elevated risks to children's rights to better understand their willingness to acknowledge links to children's rights concerns and to find effective solutions. Example questions could be:
    - How do you know whether and how your business activities (including your supplier relationships and your products and services) may connect your company to impacts on children?
    - If you identified child labour among one of your suppliers, what would you do? (Note: a "zero-tolerance approach" may not be the optimal approach in value chains where child labour is pervasive. Financial institutions may find it more practical to work with a client or investee company to solve issues rather than completely disengaging when a problem arises.)

Ask targeted and realistic questions to clients and investee companies operating in contexts with heightened child rights risks!

    - How do you check if the salaries your workers receive correspond to a living wage, i.e., salaries are sufficient to meet basic needs such as housing, health care, education, food, clothing and transportation for their families?
    - How do you work with others (industry peers, other companies, government) and multi-stakeholder initiatives to address children's rights?
  - Use the financial institution's leverage to demand remediation of shortcomings and collaborate with peers to increase such leverage. Consider exiting from the relationship as a last resort, first ensuring this does not lead to a worsened situation for groups, individuals or children.

Companies may end up considering divestment from countries with high human rights risks, which could leave families in producing communities without a source of income.

Why a "zero-tolerance approach" to child labour is not enough

Many companies adopt a "zero-tolerance" approach towards child labour in their business relationships. As Save the Children and The Centre for Child Rights and Business argue in their 2023 study on child rights risks in global supply chains, this approach is mainly motivated by a desire to avoid risk, less by a desire to protect children.

"No child labour" clauses in codes of conduct and suppler contracts may be a first step towards recognizing the problem, but they often prevent meaningful conversations with suppliers and producers about their challenges on the ground. Companies may end up considering divestment from countries with high human rights risks, which could leave families in producing communities without a source of income. Such a step fails to contribute to address the root causes of child labour, reduces the economic potential of the country, and could potentially drive children towards even more precarious work.

Instead, companies are advised to acknowledge child labour risks and encourage and reward responsible behaviour through:

- Establishing stronger and long-term partnerships with suppliers to address existing inequalities in supplier-buyer relationships
- Ensuring responsible sourcing practices and paying fair prices
- Enhancing and enforcing the implementation of policies and procedures that meet international standards and national laws
- Helping children access quality education

The understandable intention of companies and financial institutions to minimize their risk of association with child labour must not lead to a worsened situation for children.

7.1.3. Increasing positive impacts

The following recommendations encourage financial institutions to **go beyond risk management and achieve positive impacts** in the lives of children through proactive approaches, constructive engagement, collective stewardship initiatives, and incentivizing products and services.

Before a financing, investment or insurance decision – positive screening and creation of dedicated products:

- **Conduct positive screening** to **identify companies with above-average performance in relation to children's rights**, and lend to, invest in or underwrite insurance for them. Aim to build a portfolio with companies that improve the lives of children and uphold human rights or that promote practices that benefit children, such as family-friendly workplace policies. Establish positive screening criteria that can be applied to all industries or to industries which have elevated potential to harm children.
- **Create** innovative child-inclusive or **child-centred financial products**:
  - When offering **savings or investment products for children** (as clients or as beneficiaries), **invest the proceeds sustainably** or in companies making **a positive impact on children**. Sustainable or SDG-aligned investments may be suitable approaches in this regard.
  - **Create thematic investment opportunities**, such as funds or indices, to direct capital to companies dedicated to respecting children's rights and well-being and that tackle child-rights challenges in a proactive and constructive way. These are companies which provide crucial services that directly or indirectly benefit children, such as basic education, paediatric health care or child-appropriate food products. Identify companies that are building a child-friendly economy and offer investment opportunities to clients to support their efforts.
  - Consider **incentivizing** a bank's corporate clients to pursue more **children-friendly activities** through a **sustainability-linked bond** or **a sustainability-linked loan** with pre-defined children-related performance targets.[52] When a target is met, the issuer's coupon or interest payment is lowered. For example, a target could relate to the number of children benefiting from the services of a health care provider or the number of young people receiving vocational training from a company beyond business as usual.
  - **Explore** (as a bank or asset manager) **structuring and issuing a social impact bond (SIB) directly aimed at improving the lives of children**, such as keeping at-risk youth in school.[53] An SIB is a form of outcomes-based contract, in which payments to investors are triggered by verified changes to users of social services. The SIB could be offered to clients as an impact investing opportunity. Consider blended finance structures to achieve meaningful de-risking for the financial institution and investors.

After a financing, investment and insurance decision, while the lending, investment and underwriting relationship exists – stewardship and engagement – Conduct stewardship and engagement with clients and/or investee companies to influence better consideration of children's rights:

- **Include children's rights** and **related topics** in **stewardship policies and activities**, either through own resources or through a third-party engagement services provider. This could include actively engaging with investee companies to ensure they uphold children's rights across their operations, supply chains and products and services, and using the financial institutions' voting power in shareholder meetings to push for stronger commitments to children's rights and collaborate with other investors to amplify their influence on these critical issues.

Conduct stewardship and engagement with clients and/or investee companies to influence better consideration of children's rights.

- **Seek opportunities** to **proactively engage with clients** that are willing to acknowledge their impacts on children and want to improve. Attach specific, measurable and time-bound targets for improvement when issuing a loan or granting insurance coverage and offer more favourable financing terms if these targets are met. Regularly monitor and measure progress towards targeted impacts on children.

7. Recommendations: How the Swiss and Liechtenstein financial industry can promote and protect children's rights

7.2. Recommendations to other key stakeholders

- Other important groups should also help strengthen children's rights within the financial industry and throughout the wider economy. The following recommendations are addressed to vital stakeholders.

Clients of financial institutions

- **Commit to respecting children's rights** and take measures (guided by the CRBPs) that are appropriate for the company's operations (sector, countries of operation), products and services, and for its supply chain. **Apply robust due diligence procedures** (in line with the UNGPs and OECD MNE Guidelines) to identify, prevent and mitigate adverse impacts on children.
- **Create transparency** and **provide information** that can be **contextualised**, for example how children's rights may be positively or negatively affected through the company's value chain.

ESG research companies, data providers and reporting standard-setters

- **Integrate relevant children's rights considerations** into the social dimension of **ESG ratings and sustainability analysis** of companies and include them in the company profiles provided to clients.
- **Publish** frequently updated **lists of companies associated with adverse impacts on children**, so that business relationships can be assessed or engaged with reasonable effort.
- Develop a comprehensive **system for rating companies that are child-friendly** or promote the realization of children's rights through their products and services, working hand in hand with expert organizations such as UNICEF.
- **Position children's rights** more prominently and visibly as part of the social dimension of **ESG reporting standards**.

Industry bodies and trade associations

- **Increase the business community's awareness** about the **rights of children** and how financial institutions, through their products and services, are connected to positive and negative impacts on the lives and well-being of children.
- **Coordinate industry initiatives** to explore and address material impacts on children, focusing on specific sectors or countries.
- **Develop easy-to-use, step-by-step due diligence guidance** for client advisers that work for banks, wealth and asset managers, or insurance underwriters, covering:
  - Key issues to check when lending, investing or underwriting transactions within industries with elevated risks to children
  - Processes for assessing the children-related issues that are identified

Regulators and policymakers

- **Cover children's rights comprehensively beyond child labour, and along the entire value chain** within legal frameworks, such as the Swiss Code of Obligations. Simply trying to solve the problem of child labour is not enough, because it often occurs as a consequence of other violations of human and children's rights.
- **Hold financial institutions accountable to the same standards on human and children's rights** as other companies and impose the same due diligence requirements on all companies. The financial industry has significant influence over clients and investee companies, as shown in this study, despite having more limited direct impacts on children.
- **Set or strengthen regulatory requirements,** where necessary, and offer supporting measures, for example for industry or multi-stakeholder initiatives (such as the Swiss Platform for Sustainable Cocoa or the Swiss Better Gold Association).

Providers of engagement services

- **Consider including children's rights in discussions with investee companies,** either as part of human rights or as an aspect of the social ESG dimension (see also stewardship and engagement recommendations to financial institutions).
- **Participate in or coordinate collective stewardship initiatives** to address material impacts on children, focusing on specific sectors or countries.

Guatemala: Genesis was picking flowers for her mother in the field behind her house. This heartwarming scene underscores the importance of protecting children's rights, which are essential to ensuring their happiness today and a brighter, more just future for generations to come.

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Final remarks

It is clear: the financial industry plays a critical (direct and indirect) role in shaping the lives and futures of children. The study highlights the significant influence that banks, wealth and asset managers, and insurance companies wield through their lending, investment and underwriting activities. While these institutions have made strides in recognizing their broader responsibilities regarding human rights, they still lack a comprehensive integration of children's rights into their strategies and operations.

The financial sector's current approach to children is largely reactive, often limited to risk management procedures and addressing child labour within supply chains. Children's rights, however, extend far beyond this narrow focus, encompassing a wide range of issues such as access to education, health care and a safe environment, which can be impacted by financial institutions' decisions. This study emphasizes that children, as a particularly vulnerable group, require specific consideration in the financial industry's governance procedures, materiality assessments, risk management processes, investment strategies and product offerings.

The financial sector's approach to children is largely reactive, focusing on risk management and child labour in supply chains, whereas children's rights encompass broader issues such as access to education, health and safety, and a safe environment. It is therefore important to consider how the decisions of financial institutions affect these issues.

One critical challenge identified in this study is that children's rights are seen as less material than sustainability topics such as climate change or biodiversity. This perception is reinforced by scarce data and limited resources, which makes it difficult for the financial industry to embed the consideration of children's rights throughout operations and products and services. With a view to overcoming such challenges, the Annex touches on areas to explore further.

Looking forward, this study identifies opportunities for financial institutions to take a more proactive stance by adopting a 'child-lens approach' in their business activities. This approach would enable institutions to not only minimize potential harm but also actively contribute to the betterment of children's lives through targeted investments and products. The recommendations serve as a road map for financial institutions to enhance their engagement with children's rights.

By integrating children's rights into their governance, strategy, and double-materiality assessments, by considering children in their just-transition planning, by engaging more actively with clients and investee companies, and by participating in multi-stakeholder initiatives, financial institutions can significantly increase their positive impact on children. Applying a child-lens across their products and services enables financial institutions to identify where their activities have a negative effect on children and uncover opportunities to transform these impacts into positive outcomes. The resources in the Annex are intended to support these endeavours and point out promising approaches that are already applied.

Research and data providers are urged to consider children's rights in their company ESG ratings and to provide the data that allows financial institutions to identify the companies which exceed or fail to meet expectations in promoting and respecting these rights. Additionally, regulators and policymakers are called on to enforce the same standards for financial institutions as they do for other companies, and ensure comprehensive consideration of children's rights in legal frameworks.

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Annex 1: Areas to explore further

The following were identified as warranting further exploration in relation to closing gaps, addressing challenges and putting pre-conditions into place:

Quantification of children’s rights impacts

At present, there are no established methods to quantify how companies or financial institutions impact children’s rights. This is a significant challenge because clear, objective data can drive better decision-making. To start quantifying these impacts, metrics and indicators need to be developed. These could be related to child labour practices, the safety of products for children, a company’s contribution to children's education, or a company’s influence on children’s health and well-being. The development of new methods will require collaboration among experts and stakeholders.

Incorporating children’s rights into ESG research and data

Providers of ESG research and data play a critical role in evaluating company practices. It is worth investigating whether these providers could effectively assess how companies impact children’s rights. Their assessment would need specialized criteria and metrics and ensure that these are integrated into the social dimension of their ESG assessments. Such metrics may already exist in the context of human rights or the social dimension of ESG, or they could be derived from sources such as the Human Development Index,[54] the global indicator framework for the Sustainable Development Goals or the targets of the 2030 Agenda for Sustainable Development.[55]

Exploring children’s rights in materiality assessment: European Sustainability Reporting Standards (ESRS)

The ESRS requires companies to conduct a ‘double-materiality assessment’, meaning they must evaluate not only how sustainability issues affect the company but also how the company's actions impact society and the environment. It is important to explore whether this requirement will enhance companies' awareness and understanding of their impacts on children's rights. This could lead to more responsible business practices that take children's welfare into account.

Exploring the role of reporting: Corporate Sustainability Reporting Directive (CSRD)

The CSRD mandates that companies disclose significant information about their impacts, risks and opportunities related to sustainability. It is crucial to see if these requirements will make children's rights more visible in corporate disclosures. Furthermore, it is essential to assess whether the increased visibility will be utilized by investors, regulators, and other stakeholders to advocate for better protection of children's rights.

Embedding children’s rights in climate change and just-transition efforts

A ‘just transition’ refers to moving towards a sustainable economy in a way that is fair and inclusive. Research should focus on how this transition is impacting children, ensuring that as industries change and economies shift, children's rights and needs are considered. This includes looking at educational opportunities, family income stability and access to resources. **UNICEF’s Sustainability and Climate Change Action Plan** 2023 to 2030 may provide useful insights, as it seeks to galvanize efforts to protect the most vulnerable children in the face of climate change.[56]

The intersection of children’s rights, climate adaptation and just transition – the role of finance

Financial-industry stakeholders should recognize the intersection of children’s rights, climate adaptation, and a just transition, and understand the role they can play. **General Comment No. 26**, issued by the Committee on the Rights of the Child in 2023, is an essential document in understanding this intersection. It emphasizes that the ongoing environmental crisis poses a significant threat to children globally and calls upon all actors to take appropriate actions in the spirit of intergenerational equity:

- Children’s rights and environmental protection: General Comment No. 26 asserts that a clean, healthy, and sustainable environment is a fundamental human right crucial for children. Environmental degradation, especially climate change, disproportionately impacts children's rights, particularly those in vulnerable situations.
- Climate change and its impact on children: Climate change is a critical threat to children's health, development, and survival. The document emphasizes the need for urgent action to protect these rights.
- Just transition: This concept is recognized in the need for policies that address environmental harm while also considering the rights and needs of children, particularly those in disadvantaged positions. It is suggested

that environmental policies should be rights-compliant and include the voices of children in decision-making processes.

- Child participation: The document stresses the importance of including children in environmental decision-making, recognizing them as active change agents.
- Financial obligations: States are urged to allocate adequate financial resources to implement measures that protect children from environmental harm. This includes funding for services that support children's ability to enjoy their rights in the context of environmental challenges and the climate transition. This need for finance might provide business opportunities for financial institutions in lending, capital markets issuances, investing and insurance underwriting.
- International law and intergenerational equity: General Comment No. 26 highlights the principle of intergenerational equity, asserting that current environmental decisions should not compromise the rights of future generations.

Stewardship and engagement to promote children's rights

Financial institutions should explore how to protect and promote children's rights through stewardship, for example, by actively engaging with investee companies to ensure they uphold children's rights across their operations, supply chains and products and services. This could include advocating for robust child labour policies, living wages, and decent working conditions for caregivers, and for investments in community development, education and social protection programmes that directly benefit children. Moreover, they can use their voting power in shareholder meetings to push for stronger child-rights commitments and collaborate with other investors to amplify their influence on these critical issues.

It could be worthwhile to establish collective engagement initiatives with a focus on children's and wider human rights, replicating successful models in the environmental sphere, such as Climate Action 100+[57] or Nature Action 100[58].

Annex 2: Resources and promising approaches

It will take time to address the scarcity of quantitative child right's data and integrate this information into company ratings and ESG data sets. In the meantime, there is guidance available to help financial-sector professionals and sustainability experts across sectors to address some of the identified gaps and challenges. Some financial institutions are already applying approaches that deserve to be studied.

Resource

UNICEF. Child Lens Investing Framework (2023)

Key points / elements

What is child-lens investing (CLI)? CLI is a sustainable investing approach that prioritizes positive outcomes for children while minimizing harm. It applies globally across various themes and asset classes. CLI is based on four principles: do no harm, the 'whole-child' approach, identity and society.

Why child-lens investing? Childhood is a critical yet vulnerable period, and society as a whole suffers when children are not protected. Investments in children support equity and prosperity, and benefit them as future workers, consumers, citizens and decision makers. CLI integrates best practices from ESG and impact investing. All investor actions ultimately impact children's well-being, directly or indirectly.

Elements of CLI:

- Strategy: intentional plans to support children's needs across various themes, geographies and asset classes
- Process: integrating child-related considerations throughout the investment lifecycle, aligning with existing ESG and impact investing standards
- Contribution: leveraging investor capabilities to enhance impact on children, including technical assistance, active ownership, blended finance and field-building activities

Child-lens taxonomy

- 'Child-screened': children as affected stakeholders
- 'Child-inclusive': children as indirect or discrete beneficiaries
- 'Child-centred': children as primary beneficiaries

Resource

UNICEF Finland. Child Lens on ESG. A Study of Nasdaq Helsinki Companies (2024)

Key points / elements

Goal: The study aims to assess the children's rights performance of Nasdaq Helsinki-listed companies and provide evidence to inform companies, investors, and other stakeholders to better integrate children's rights into their practices.

Methodology:

- Evaluation of 52 companies across 10 industries, focusing on children's rights in corporate human rights due diligence and risk management
- Follows UNICEF's Tool for Investors on Integrating Children's Rights into ESG Assessments
- Data collection based on public disclosures validated by companies, followed by complementary discussions with 14 companies

Findings:

- General due diligence findings:
  - On average, only 10 per cent of companies demonstrated comprehensive management of children's rights. Due diligence was generally more disclosed than issue-specific practices
  - Only 23 per cent of companies had a clear policy commitment to children's rights, and just 13 per cent had Board oversight on the issue
- Issue-specific findings:
  - Child Labor: 21 per cent of companies had a policy against child labour; only 8 per cent had no policy
  - Digital Marketing Practices: Few companies disclosed responsible digital marketing practices for children, with only 17 cent of financial companies including specific provisions
  - Health and Safety for Pregnant and Breastfeeding Workers: Only 2 per cent of companies reported specific protections for these workers, indicating a gap in disclosure

Recommendations:

- For companies: Make a clear, public commitment to children's rights, integrate them into materiality assessments, and champion family-friendly workplaces
- For investors: Adopt a child-lens approach in investment portfolios and promote children's rights through stewardship and collaboration

Resource

UNICEF. Tool for Investors Integrating Children's Rights into ESG Assessments (2021)

Key points / elements

Purpose: The tool guides investors through integrating the consideration of children's rights into investment decision-making and stewardship, and when using children's rights indicators in risk screening and ESG performance evaluations.

Assessment framework: The framework helps evaluate how well companies manage impacts on children within human rights due diligence and corporate responsibility, and helps them to identify opportunities for positive impact and engagement with companies on child-rights issues.

Tool structure:

- Section 1: identifies material children's rights risks and relates them to sustainability topics in different industries
- Section 2: presents indicators for measuring corporate performance on managing impacts on children in alignment with existing
- Section 3: provides guidance on data collection and sources, including a data-source matrix for each indicator

Distinct issue: Children's rights should be considered a distinct human rights issue, and children recognized as uniquely vulnerable and critical stakeholders in society.

Resource

Sustainalytics and UNICEF. Investor Guidance on Integrating Children's Rights into Investment Decision Making (2019)

Key points / elements

Purpose: The guidance helps investors integrate children's rights into their investment decision-making processes, ensuring that child rights impacts linked to business activities are not overlooked.

Recommendations to investors:

- Integrate children's rights into ESG assessments, engage with companies on child-related risks and opportunities, and avoid investing in companies that harm children's rights
- Incorporate child rights considerations into corporate policies, risk assessments, and stakeholder engagements, and actively promote products and services that benefit children

Resources:

- Checklists, indicators, and criteria for assessing companies on their impact on children's rights across their supply chain and in selected industries (information technology, food, extractive industry).
- References to international norms and standards, such as the UN Convention on the Rights of the Child, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

Materiality and benefits:

- Important to view children not just as vulnerable stakeholders but also as potential beneficiaries and consumers whose well-being contributes to long-term societal stability and economic growth.
- Child-aware approaches to investment help avoid financial risks and lead to positive financial and reputational outcomes.

Resource

Shift, The Centre for Child Rights and Business, UNICEF. Tackling Child Labor: A Guide for Financial Institutions (2024)

Key points / elements

Improve screening for indicators of child labour risk: Use a wider range of indicators that also take account of the root causes for child labour (e.g., a lack of decent working conditions for parents and young people, an absence of living wages for employees, a lack of gender equality and childcare options).

Improve engagement with portfolio companies: The guide advises financial institutions to ask more and better questions and set realistic expectations when performing due diligence on portfolio companies, thus ensuring a better understanding of the actual risks facing a company and its approach to risk mitigation. For example, instead of asking, "Do you have a 'zero-tolerance' policy on child labour?", ask "When was the last time you identified child labour?" and "What did you do?", particularly in problematic sectors.

Participate in multi-stakeholder initiatives that combat child labour: Financial institutions are part of the value chains of portfolio companies linked to child labour. They should participate in multi-stakeholder initiatives, joining forces with other actors to fight child labour, for example within the UN Global Compact at international level or as part of the UN Global Compact Network Switzerland and Liechtenstein. Within the financial sector, Shift's Financial Institution's Circle brings together practitioners in the financial sector to discuss human rights challenges, including child labour.

Resource

Norges Bank Investment Management. Children's Rights Strategy – Expectations Towards Companies (2023)

Key points / elements

Purpose: Norges Bank Investment Management (NBIM) outlines expectations for companies to respect children's rights, targeting company boards as a starting point for interaction.

Scope: Expectations apply to all portfolio companies, especially those in high-risk sectors and countries. Companies need a broad understanding and appropriate response to children's rights issues within relevant social and economic contexts.

Transparency: NBIM expects companies to be transparent about their efforts, dilemmas and priorities in respecting children's rights.

Board responsibilities:

- Ensure a company policy on children's rights
- Integrate these measures into business strategy, risk management and reporting
- Clearly define and monitor responsibilities within the organization

Specific expectations:

- Integrate children's rights into business strategy, policy and planning
- Integrate children's rights into risk management
- Disclose strategy and report on children's rights
- Engage with stakeholders, policymakers and regulators

Resource

Max Havelaar. Fairtrade gold (in German) (undated)

Key points / elements

Purpose: Switzerland is the hub of the global gold market. Accordingly, Switzerland has a special responsibility to counteract the precarious conditions in the countries where the gold originates and set an example for more transparency.

Issues: Small-scale mining is highly labour-intensive and often barely regulated. The miners and workers are exposed to dangerous conditions during their hard labour. In addition, they usually only receive a modest price and live in difficult conditions. Fairtrade is therefore committed to improving the protection of people and the environment in small-scale gold mining.

Products: Products labelled with the Fairtrade gold hallmark must be physically processed separately and are therefore physically traceable right back to the mine. This applies to both gold bars for investment purposes as well as to jewellery.

Resource

Swiss Better Gold Association. Swiss Better Gold Initiative (undated)

Key points / elements

Challenge: Artisanal and small-scale mining (ASM), including gold mining, supports over 44 million workers globally, providing livelihoods for around 100 million people, but is often associated with significant challenges such as hazardous conditions, child labour and lack of financial access.

Approach: Recognizing that disengagement from ASM would not address these issues, the Swiss Better Gold Initiative was established in collaboration with the Swiss State Secretariat for Economic Affairs (SECO) and the Swiss Better Gold Association to promote responsible practices in the sector.

Potential: The initiative aims to transform ASM into a positive force by providing technical support, direct financial investment in safety and productivity, and offering fair business terms coupled with incentives for community development.

Resource

Swiss Cantonal Banks. Joint education initiative (2024) (in German)

Key points / elements

Rationale: School education is the basis for individual, social and economic development. Improving inclusive, equal and high-quality education is one of the 17 Sustainable Development Goals (SDGs) of the United Nations and the 2030 Agenda of the Swiss Confederation.

Approach: The "Swisscanto (LU) Portfolio Fund Sustainable Balance (CHF) - Education Initiative Swiss Cantonal Banks" combines sustainable investing with a financial contribution to the education of children worldwide.

Benefits: The fund invests in companies that meet sustainability criteria and at the same time donates two per cent of the fund volume annually to "Education Cannot Wait" (ECW). ECW is the United Nations fund for education in emergency situations, which in 2023 provided around 8.8 million children worldwide with access to education.

Investor contribution: Investors thus forgo part of their returns in favour of education projects and have the opportunity to make a direct impact.

Expert support: The Cantonal Banks' joint education initiative is supported by the Swiss Agency for Development and Cooperation SDC through regular strategic dialogue with ECW, ensuring the transparency of ECW's impact reporting and providing access to other education-related investors. SDC has no financial involvement in the initiative.

Endnotes

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"(i) activities of a company's upstream business partners related to the production of goods or the provision of services by that company, including the design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of products and the development of the product or the service; and
(ii) activities of a company's downstream business partners related to the distribution, transport and storage of a product of that company, where the business partners carry out those activities for the company or on behalf of the company, and excluding the distribution, transport and storage of a product that is subject to export controls under Regulation (EU) 2021/821 or to the export controls relating to weapons, munitions or war materials, once the export of the product is authorised." Text of the Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024, p. 29.
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