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Executive
Summary incl.
Recommendations
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Children's Rights and Finance

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

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 not to 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.

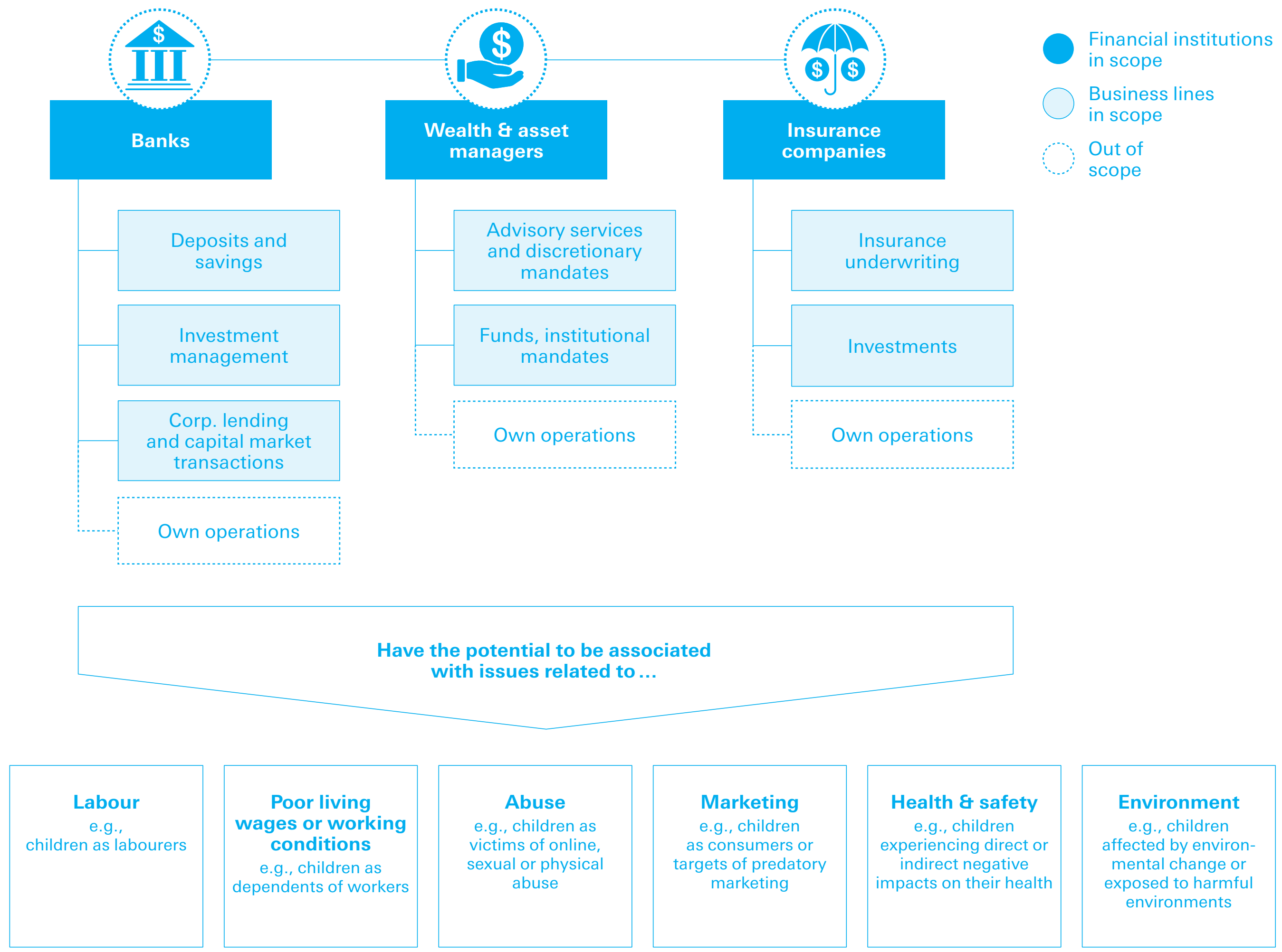
Opportunities for improvement

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.

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



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.

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 [SDGs], 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.

Executive summary and recommendations

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** (CRBPs).[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. Do not focus regulation only on the supply chain; rather, 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.

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.

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.

Endnotes

1. United Nations. Guiding Principles on Business and Human Rights. Implementing the United Nations "Protect, Respect and Remedy" Framework. 2011. Accessed on 12.07.2024 at https://www.ohchr.org/sites/default/files/Documents/Publications/HR.PUB.12.2_En.pdf.
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4. UNICEF, UN Global Compact, Save the Children. Children's Rights and Business Principles, 2012. Accessed on 28.06.2024 at https://www.unicef.org/media/96136/file/Childrens-Rights-Business-Principles-2012.pdf.

Authorship

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