

From goodwill to eradication, How are companies tackling child labour in the supply chain?



On the International Day Against Child Labour, Vigeo Eiris publishes this sustainability focus assessing companies' performances and abilities to tackle child labour in their supply chain.

The ILO's conventions on Minimum Age and Worst forms of child labour recognize the duty of states and companies to deploy adequate measures to fight and eliminate child labour. Abolishing child labour is also an **important facet of the Sustainable Development Goals (SDGs) Agenda**.

The international community, through Target 8.7 of the SDGs, has made a clear commitment to eradicate the worst forms of child labour and to end child labour in all its forms by 2025. In addition, national movements for binding regulation on human rights due diligence have been growing in Europe, as evidenced by the Dutch Senate's recent vote in favour of the adoption of a new child labour law requiring companies selling products on the Dutch market to address child labour in their global supply chain.

Yet, the International Labour Organisation (ILO) estimates that **152 million children are still victim of child labour globally**¹. Companies therefore have key responsibilities in eradicating child labour starting by mapping children labour risk across their supply chain and implementing measures to prevent and remedy children rights abuse. This includes the definition of a minimum working age, cooperation with local stakeholders to provide educational support, suppliers' capacity building, or third-party audit.

¹ International Labour Organisation, Ending child labour by 2025: A review of policies and programmes, Geneva (2018).

Vigeo Eiris key findings

Vigeo Eiris rates 3,414 issuers, covering about 70% of its Corporate ESG Research universe, on their commitments to integrate human rights in their supply chain management, including the abolition of child labour. **The average overall performance across all those companies is weak (27/100)**, with about one third of the issuers not reporting on any commitment towards promoting this fiduciary duty across their value chain.

More specifically, with regards to the social requirements that companies address to their suppliers, the abolition of **child labour ranks second, following health and safety. Among the companies that have issued a public commitment to respect human rights in their value chain, 67% support the elimination of child labour.**

Owing to the relatively high scrutiny, companies in 'Luxury Goods & Cosmetics' and 'Technology-Hardware' sectors appear to be amongst the most committed to address child labour in the supply chain management. Three out of four companies in these sectors explicitly refer to the abolition of child labour in their suppliers' requirements. On the other hand, despite the high exposure to child labour risk in the agriculture, **only 44% of companies in 'Food' sector disclose a public commitment to abolish child labour in their supply chain.**

Concerning regional distribution, approximately **a third of companies based in Europe expect their suppliers to strengthen efforts to tackle the issue of child labour.** This is compared to 26% in North America, 20% in Asia Pacific, and 16% in Emerging Market countries.

The most common measures disclosed by companies to prevent child labour are **mainly human rights training of employees in charge of purchasing, awareness raising to suppliers, integration of social issues into contractual clauses** while **few companies report on a child labour risk mapping of their global supply chain.**

Fouad Benseddik, Head of Methods, declares: *"The elimination of child labour and the protection of adolescents against the worst forms of employment are among the oldest and most dramatic challenges linked to the social responsibility of business leaders and investors. The exploitation of children and the commodifying of their work instead of schooling and self-fulfilment represent direct threats to the sustainability and acceptability of globalisation."*

Among rated companies some good practices can be noted:

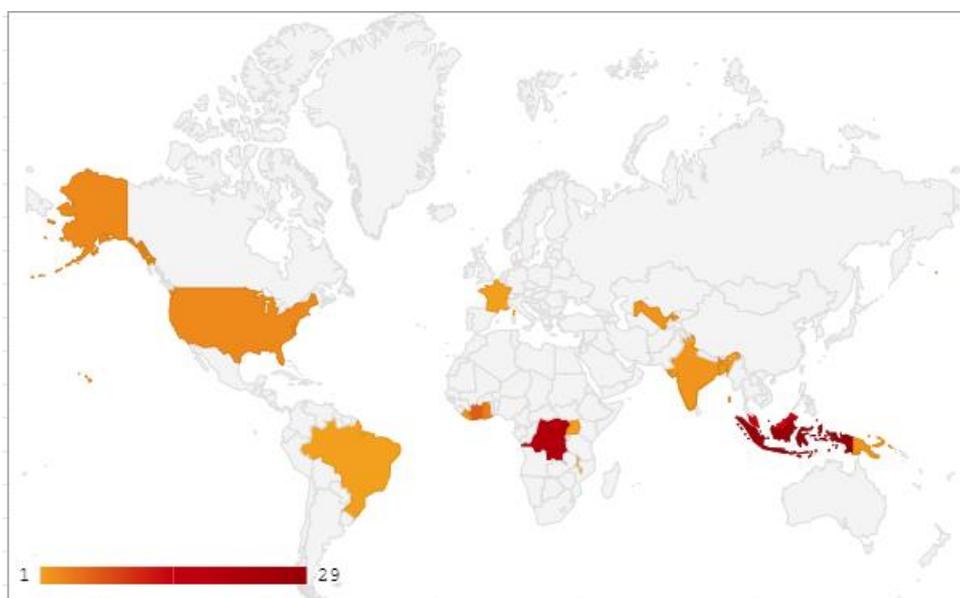
- ▶ **Nestlé** (Food) has worked together with the International Cocoa Initiative to implement a child labour monitoring and remediation system in Côte d'Ivoire. Nestlé has set up Community Liaison People to work with households and farms to gather basic information on child labour. Information collected are verified at the co-operative level by Child Labour Agents. Finally, the International Cocoa Initiative analyses the data coming from the co-operatives, identifies trends and suggests a palette of remediation activities.
- ▶ **Millicom** (Telecommunication) completed and deployed in all its Latin America operations the Mobile Operator Child Impact Assessment (MOCRIA). This tool, developed jointly with UNICEF in 2016, is publicly available and allows ICT companies to assess how and where their business may affect children, beyond child labour. In addition to directly engaging with external stakeholders on risks to children's rights, Millicom undertakes ongoing risk assessments to map children's right risks, including child labour in the supply chain. The company has created specific action plans, which include children's rights training for suppliers and social investment to areas that support the rights of children: education, digital and financial inclusion (with specific programs for women and children), and supporting local entrepreneurs focusing on children's programs.
- ▶ **The Coca-Cola Company** (Beverage) commits to complete twenty-eight third-party studies of human rights issues, including child labour, forced labour and land rights, in countries from which it sources sugar by 2020. Coca Cola has published studies on child and forced labour in the sugar supply chain for 18 countries. These

reports are used as a tool for engagement with suppliers, bottlers, industry partners, including sugar associations, and other stakeholders.

Exposure to child labour controversies:

Vigeo Eiris analyses the controversies impacting environmental, social and governance issues of almost 5000 issuers. **Findings reveal that 54 companies are impacted by a total of 73 allegations related to child labour in supply chains.** The severity of cases is considered “*high*” to “*critical*” in 70% of cases. **In more than 40 % of cases, companies are not transparent on the management of such allegations.** Geographically, 75% of allegations occurred in the Africa and Asia Pacific region. The ILO estimates that these regions together host nine out of every ten children in child labour².

The map chart below shows the geographical location of controversies recorded.



Source: Controversies as monitored in Vigeo Eiris database

The ‘Food’ sector appears to be the most controversial, with 24 controversies recorded, followed by ‘Tobacco (16)’, ‘Automobiles’ (9), ‘Technology-Hardware’ (9), and ‘Luxury Goods & Cosmetics (6)’. Companies in ‘Food’ and ‘Tobacco’ are highly exposed to risks related to agriculture supply chains.

The International Labour Organisation (ILO) estimates that seven out of ten children in child labour are employed in agriculture and its various subsectors: crop production, animal husbandry, forestry, fishing, and aquaculture³.

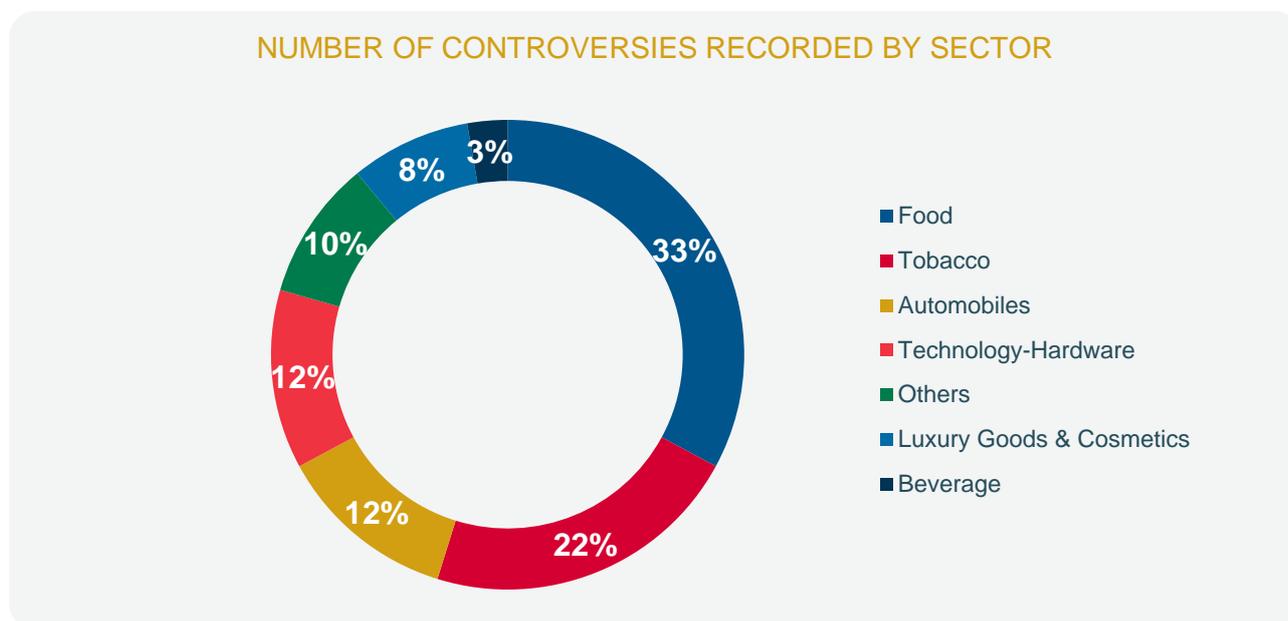
Companies in ‘Automobiles’ and ‘Technology-Hardware’ are under strict scrutiny because of cobalt use, an essential component in the cathode of rechargeable lithium-ion batteries. Cobalt is mainly sourced in the Democratic Republic of Congo, where up to 20% of the exported cobalt comes from artisanal miners where child labour is not controlled. Regarding cosmetics brand, they are exposed to child labour abuse in their supply chain in particular through the use of mica, a shiny pigment used in some colour cosmetics often extracted in mica mining in Eastern India where NGOs have denounced hazardous child labour⁴.

2 International Labour Organisation, Ending child labour by 2025: A review of policies and programmes, Geneva (2018)

3 International Labour Organisation, Ending child labour by 2025: A review of policies and programmes, Geneva (2018)

4 Refinay29 website – accessed in May 2019 – “The Makeup Industry’s Darkest Secret Is Hiding in Your Makeup Bag”

The chart below shows the number of controversies recorded by sector.



Source: Controversies as monitored in Vigeo Eiris database

Examples of controversies as monitored in Vigeo Eiris database

- ▶ In November 2017, **Amnesty International** released a report entitled “*Time to Recharge: Corporate action and inaction to tackle abuses in the cobalt supply chain*” which reveals that electronic and electric vehicle companies are still not doing enough to stop human rights abuses entering their cobalt supply chains. The report which assessed the policies and practices of 29 companies states that about a fifth of the country's cobalt production - used to produce lithium-ion batteries - is mined by informal miners including children, often in dangerous conditions. The electronics companies and the automobile manufacturers included in the report are: Apple, Samsung SDI, Dell, HP, BMW, Tesla, LG Chem, Sony, Samsung Electronics, General Motors, Volkswagen, Fiat-Chrysler, Daimler, Hunan, Shanshan, Amperex Technology, Tianjin Lishen, Microsoft, Lenovo, Renault, Vodafone, Huawei, L&F, Tianjin B&M, BYD, Coslight, Shenzhen BAK and ZTE. In March 2018, a CBS news cobalt investigation accused major electronics and electric vehicle companies of not doing enough to stop human rights abuses entering their supply chains.
- ▶ In May 2017, **LafargeHolcim** (Building Materials) was accused at its Annual General Meeting by Bread for All and Twerwaneho Listeners’ Club of having indirectly benefited from child labour through the operation of its subsidiary Hima Cement in Uganda. According to these organisations, child labour has been used among artisanal miners who supplied raw materials (specifically pozzolana, a volcanic rock) to Hima Cement Limited. As result, LafargeHolcim and its subsidiary announced its decision to stop buying from artisanal miners and decided to work only with mechanised mines. On May 8th, 2018 at LafargeHolcim's AGM, NGOs Bread for all and the Catholic Lenten Fund called the company to support former child labourers in making up for missing school years and provide vocational training for them and accused the company of delaying compensation to alleged child labour victims in Uganda.
- ▶ **Hershey** (Food) faced a class action filed by consumers accusing the company of allegedly failing to disclose if its chocolate brands may contain cocoa from child or slave labour, violating the Consumer Protection Act. The plaintiffs claimed that Hershey regularly imports cocoa beans from suppliers who use child labour, including trafficked and forced child labour, from plantations in the Ivory Coast and declared that the

consumers would not have purchased the firms' chocolate products if they had known that it was allegedly produced with child and slave labour. It is not the first time that Hershey faces such kind of class action. In March 2016, a Californian court dismissed class-action lawsuits brought by private consumers against The Hershey Company, Mars and Nestlé, which had been filed in September 2015. The suits claimed the consumers would not have purchased the firms' chocolate products if they had known that it was allegedly produced with child and slave labour.

Authors:

Soukaina Aziz,
ESG analyst



Juliette Laplane,
Human Rights thematic expert



Under the supervision:

Fouad Benseddik,
Head of Methods



About Vigeo Eiris

Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision-making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more)
- ▶ **For companies & organisations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris obtained ISO 9001: 2015 certification for its processes relating to methodology, rating, sale and delivery of its data to all types of investors.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, Montreal, New York, Rabat and Santiago. The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

Pour plus d'informations : www.vigeo-eiris.com