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Back to School! (Engagement)

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Engagement is of great importance for Erste AM's sustainable investment approach. It combines own initiatives with collaboration on a national and international level. The structured engagement process is based on the "EAM Engagement Guideline" which determines issues, approach and procedures.

"From children for children" is a thought that crossed our minds when we were recently analysing the toy industry. Child labour is an issue that has been around in our dialogue with companies and has unfortunately caused repeated disappointments. In this context, we decided to focus on the IT sector, on the food industry, and on the textile sector. What all three of them have in common is the particularly high risk in the area of child labour: cobalt from Africa for smartphones, cotton from Uzbekistan stitched together in Myanmar, or peanuts from Turkey.

The market data indicate the problem: only 20% of the companies we analysed have standards based on the International Labour Organization (ILO) Standards in place, and only 7% thereof have implemented them via acceptable measures. Less than 2% have taken convincing steps to fight child labour. Also, only 30% of all known cases of child labour have been uncovered by the companies affected.

How young is the IT sector?

Apple and Microsoft are among the pioneers in terms of transparency and report continuously on cases of child labour they discover. If in the event of a control visit of a supplier child workers are discovered, both companies return them to their families and take over the costs of their school education from that point onwards. Apple and Microsoft work directly with their suppliers, in some cases all the way to the suppliers of their raw materials so as to actively avoid child labour. This also happens in cooperation with other market leaders such as HP and Dell. In China, these efforts have created an environment where even the subcontractor Foxconn, which is known for its infringement with labour rights, has not had any recent, severe cases of child labour found out. However, forced intern ships of entire school classes are still common practice.

Rules bend, especially in the textile industry

The idea of what constitutes harmful child labour is relative. In Myanmar, for example, child labour is legal from the age of 13 onwards. When an NGO discovered underage workers at one of H&M's sewing companies, the company pointed out that formally speaking, no infringement with ILO Standards had occurred. Other companies demand that their suppliers only hire workers of age. In Turkey, H&M cooperates with NGOs in order to contain the increasing number of child labour cases among Syrian refugees. This is a start, but the company has a long way to go.

How much child labour does the food industry create?

As part of our engagement and a dialogue with CP Foods, the biggest food producer in Thailand, we managed to improve the catastrophic situation in its supply chain in 2014 – an enormous success. The number of cases where the children had been enslaved with their parents on fishing boats was reduced. However, one part of the solution was to rely more heavily on fishing boats run by families. Here, we cannot rule out that children are involved in the process.

Nestlé builds schools for the children of the families on its cacao plantations in Côte d'Ivoire – an important way of getting the children from the field into school. Mondelez relies on external checks in order to develop its action plans – a programme that our research partners regard as far below the actual potential of the company.

While we do see clear efforts among companies in the fight against child labour overall, ultimately they translate only into minor progress. The topic of child labour will remain with us on a daily basis in food, sartorial choices, and on – and in – our mobile phone.

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