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INVESTOR HANDBOOK

Child-Lens Investing

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content

CHILD-LENS INVESTING

Investor Handbook

IN PARTNERSHIP WITH

Triodos Investment Management

Triodos Investment Management (Triodos IM) is a globally active impact investor. We see impact investing as a driving force in the transition to a green, inclusive and resilient economy. We have built up in-depth knowledge throughout our 30+ years of impact investing in sectors such as Energy and Climate, Financial Inclusion and Sustainable Food and Agriculture. Triodos IM also invests in listed companies that support sustainable solutions for the future. Assets under management as per end of December 2024: EUR 5.8 billion.

Triodos IM is a wholly owned subsidiary of Triodos Bank, a leading expert in sustainable banking.

THE EDITOR'S WORD

Times are Different for Children

Aline Reichenberg Gustafsson, CFA

In this special edition of NordSIP's Handbook Series we have talked to experts about Child-Lens Investing and learned why and how investors should care about future generations.

Our children aren't having the childhood we had. Pros and cons, of course. On the one hand, they have more opportunities for learning, the world is at their finger tip; so much is accessible, cheaper and faster. That is true not only in our parts of the world but in others too, even if they are, still, lagging far behind in may cases.

On the other hand, the technological progress we have witnessed ever since the internet came about has accelerated so fast that we don't have any proof of concept regarding the effects on our children. How will their minds be affected? Will they be able to relate to others? Will their mood be altered forever? There are no elders to guide us in this new world. It is a virgin land, full of possibilities but also pitfalls. Mental health issues are affecting the younger generations at an unprecedented rate. Inequality, meanwhile continues to increase.

Companies are also slow to adapt. The corporate world has had to content with climate change and the requirements for adaptation. Children, however, are rarely considered an important stakeholder. They cannot weigh in, their voices muted. While they represent a huge business opportunity, they are not the ultimate decision makers. Is regulation the only thing that will protect our future generations from relentless profit-maximising?

Luckily, some investors have already found their way into the field of Child-Lens Investing. In this handbook, you will even find an example where a strategy focused on future generations provides a welcome diversification opportunity for investors in search for more than just financial returns.

Active ownership is also key in achieving progress throughout the value chain. Whether children are consumers or working for suppliers, they need protection from the companies we end up investing in. The issue is that the links are sometimes tenuous and it takes a lot of effort to uncover the levers of control to first uncover and then improve the sometimes unacceptable truth.

While non-profit organisations are an essential cog in a field such an children's rights, investors have both complementary knowledge and effective tools of influence that can build on the groundwork they provide. Without collaboration, efforts on either side would be far less effective. We hope that his handbook will inspire you to reach out to the organisations included herein to accompany you along your own journey. Their contact details are listed at the end.

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Mobilising Capital for Children

Why Children Belong at the Centre of Investment Strategies

UNICEF

Today's children are tomorrow's workforce, consumers, decision-makers – in short, the future of our societies. Yet, most investment frameworks and financial decision-making processes do not consider children as a distinct group. One billion children globally still lack access to essential needs like food, clean water, healthcare, education, and shelter. Faced with increasing inequality and the worsening effects of climate change, many are growing up in conditions of deep insecurity. Child-Lens Investing (CLI) proposes a new approach: one that recognises children as key stakeholders in financial decision-making and ensures their rights and well-being are actively considered.

CLI is grounded in a simple but transformative idea: investing in children yields not only social value, but it also delivers long-term societal and financial value. Evidence shows that targeted investments in children can break intergenerational cycles of poverty, enhance gender equality, and promote more inclusive economic development. When we invest in children, we invest in healthier, more resilient societies. We prepare the next generation to become tomorrow's workers, voters, innovators, and leaders. And yet, because children are not direct economic agents, they are often not represented in investment decisions – despite being among the most affected.

According to the World Bank, barriers to girls' education alone cost countries up to 30 trillion USD in lost lifetime productivity. At the same time, investing in early childhood services in lower- and middle-income countries can create a wide range of opportunities – not only for girls, but also for their families and communities. Child-Lens Investing helps identify and harness these opportunities by guiding capital towards projects, companies and innovations that are designed to improve the lives of children and adolescents.

Without a framework that enables investors to consider the consequences of their decisions on children, these impacts – both positive and negative – remain largely invisible. The Child-Lens Investing Framework (CLIF), a UNICEF-led initiative developed in consultation with a great variety of investors and other stakeholders, offers a structured approach to integrating children's needs and rights into investment strategies and processes. Rather than defining a new investment theme, UNICEF highlights the fact that children are a cross-cutting priority, impacted by all types of investments, across sectors ranging from climate change to infrastructure or energy. Therefore, UNICEF has developed a new lens to enhance existing investment practices by integrating a critical and often overlooked dimension: childhood.

"Child-Lens Investing shifts the focus from short-term profits to long-term resilience. By treating children as core consideration we unlock value that lasts across generations."

Carla Haddad Mardini, Director
Private Fundraising and Partnerships Division UNICEF

Child-Lens Investing

What is Child-Lens Investing?

CLI is an emerging approach through which investors intentionally consider child-related factors to advance positive outcomes while also minimising harm. It is based on the premise that, if it takes a village to raise a child, then raising the well-being of children can also uplift the entire village. By investing in the foundations that allow children to grow up healthy, safe and educated, we lay the groundwork for prosperous, equitable societies.

The CLIF equips investors with a coherent model for applying the Child Lens across different stages of investment.

At the heart of CLI are four core principles:

Do no harm

At a minimum, investors take all possible measure to protect children against conditions and circumstances that may pose a danger to their dignity, physical and psychological integrity, and/or their safe passage into adulthood. The attainment of child outcomes should not result in significant harm to any other Sustainable Development Goals (SDG) objectives.

Whole child approach

Children's well-being and development are influenced by the conditions of the relationships and systems around them, such as their families, communities, and wider society. Thus, the Child Lens comprises a systems-aware approach to investing and invites diverse tactics for advancing children's well-being.

Identity

Children are not a monolith, and identity-based factors – including, but not limited to, gender; nationality; racial, ethnic, linguistic, or religious background; disability; and legal status – influence children's ability to survive and thrive in different ways. CLI encourages investors to conduct intersectional analysis to account for children's differing and overlapping identities and was designed for interoperability with other investment lenses.

Society

Societies differ widely in how they conceive of childhood, which influence – among other things – how children are raised, who cares for them, and when children reach adulthood. Thus, CLI considers children within their respective contexts to best address their needs and avoid harm, while also being grounded in stakeholder engagement.

> "Children may not be investors, but they are deeply affected by how capital is allocated. CLI invites the financial world to take responsibility for the world it helps shape."
>
> —— **Carla Haddad Mardini,** Director
> Private Fundraising and Partnerships Division UNICEF

To bring these principles into practice, CLI expects investors work on three key dimensions:

Impact and ESG Strategy

The element of impact and ESG (Environmental, Social and Governance) strategy refers to investors' intentional plans to build or strengthen the resources, conditions, and opportunities that children need to survive and thrive. Child-Lens strategies can be diverse, spanning different themes, geographies, demographics, and asset classes. Investors can use the Child Lens to build custom approaches that reflect their unique contexts and capabilities.

Process

The element of process encompasses the systematic and principled integration of child-related considerations throughout the full investment lifecycle. Whereas strategy invites creativity and customization, process comprises a more regimented set of considerations that builds on existing industry frameworks.

Contribution

Child-Lens contribution calls on investors to leverage their unique capabilities to enhance child outcomes. Contribution activities can be varied – encompassing active ownership tactics to encourage investees to adopt child- and family-friendly policies; creating blended finance vehicles to channel capital towards the most vulnerable children; and even explicitly identifying as Child-Lens investors at this early stage of market- and field-building.

Child-Lens Investing is compatible with different types of capital – from market-rate to concessionary – and can be implemented by a variety of actors, including institutional investors, foundations, development banks, and retail investors.

> "There is growing demand for investment strategies that align with personal values. CLI is a way to invest with both heart and head – ethically and strategically."
>
> **Carla Haddad Mardini,** Director Private Fundraising and Partnerships Division UNICEF

The Child-Lens Taxonomy: a Framework for Diverse Approaches

The CLIF includes a taxonomy to help classify and organise **investment approaches** according to how strongly they integrate child-related considerations. It outlines three types of approaches, which can guide investors in understanding their current positioning and how they might evolve:

Child-Screened Approaches

These strategies apply negative or positive screening based on child rights-related factors. For example, they may exclude companies with poor track records on child labour or include those with child-friendly policies. In these approaches, children are considered as affected stakeholders, and the primary goal is to avoid harm. This also encompasses the integration of child-related considerations throughout the investment cycle, from strategy to reporting and active ownership ((e.g., proxy voting policies, shareholder resolutions and collective stewardship).

Child-Inclusive Approaches

In this category, children are recognised as indirect beneficiaries. Investments may support outcomes that benefit children alongside other population groups, but children are not the central focus. These approaches typically include child-related goals within broader ESG or impact strategies.

Child-Centred Approaches

These strategies place children explicitly at the centre of the investment thesis. Children are the primary beneficiaries, and investment design, selection, and measurement are oriented toward delivering measurable outcomes that improve their well-being. These approaches represent the highest degree of CLI integration.

Child-Inclusive and Child-Centered approaches include investments in solutions directly or indirectly benefitting children while also upholding their best interests via business practices.

Importantly, the Taxonomy is not intended to assign a value judgment to one category or another. The goal is not uniformity but clarity – to build a shared vocabulary and orientation for a growing field. CLI can also complement other lenses, such as gender or climate, reinforcing its systemic potential. In addition, the taxonomy allows for flexible application across asset classes, sectors, and geographies. It helps build a common language for investors, enabling collaboration and alignment without requiring a one-size-fits-all model. CLI can be combined with other thematic lenses – such as gender or climate – to reflect the interconnected nature of sustainable development.

Why Child-Lens Investing is Needed Now

Despite a growing impact investing market increasing interest in ESG and impact investing, most investment frameworks still fail to consider child-specific risks and opportunities. When child rights are addressed, it is often through the narrow lens of avoiding child labour. While this is critical, a more holistic perspective is needed – one that recognises children as rights-holders and future contributors to society.

At the same time, there is growing momentum in the market. Research by KPMG and Tideline has shown that many existing impact strategies are already indirectly contributing to child outcomes, even if not explicitly labelled as such. The potential for scaling and formalising CLI is significant, especially as investors seek new ways to generate long-term value and demonstrate purpose.

There is also a strong business case. Companies that invest in child- and family-friendly policies – such as parental leave, flexible working arrangements, or safe digital environments – often see improved employee retention, customer loyalty, and brand trust. Likewise, early-stage investments in education, health or nutrition can yield strong returns over time, especially in emerging markets.

From Theory to Practice: the UNICEF-Triodos IM Partnership

A compelling example of CLI in action is the relationship between UNICEF and Triodos Investment Management (IM). Triodos IM is a European asset manager with a strong ethical profile and a long-standing commitment to sustainable investing. In this sense, the partnership between UNICEF and Triodos IM, set in motion by UNICEF Luxembourg, is a natural fit: they share the same long-term goals and commitment to intergenerational impact.

In line with these values, Triodos IM launched the Triodos Future Generations Fund – a global portfolio of companies that contribute positively to children's lives through areas such as education, healthcare, nutrition, and protection. The fund appeals to a specific investor profile: individuals and institutions who seek to align their financial decisions with their ethical values. For them, investing in child outcomes is not just an emotional choice – it's a logical extension of their vision for a more just and inclusive world.

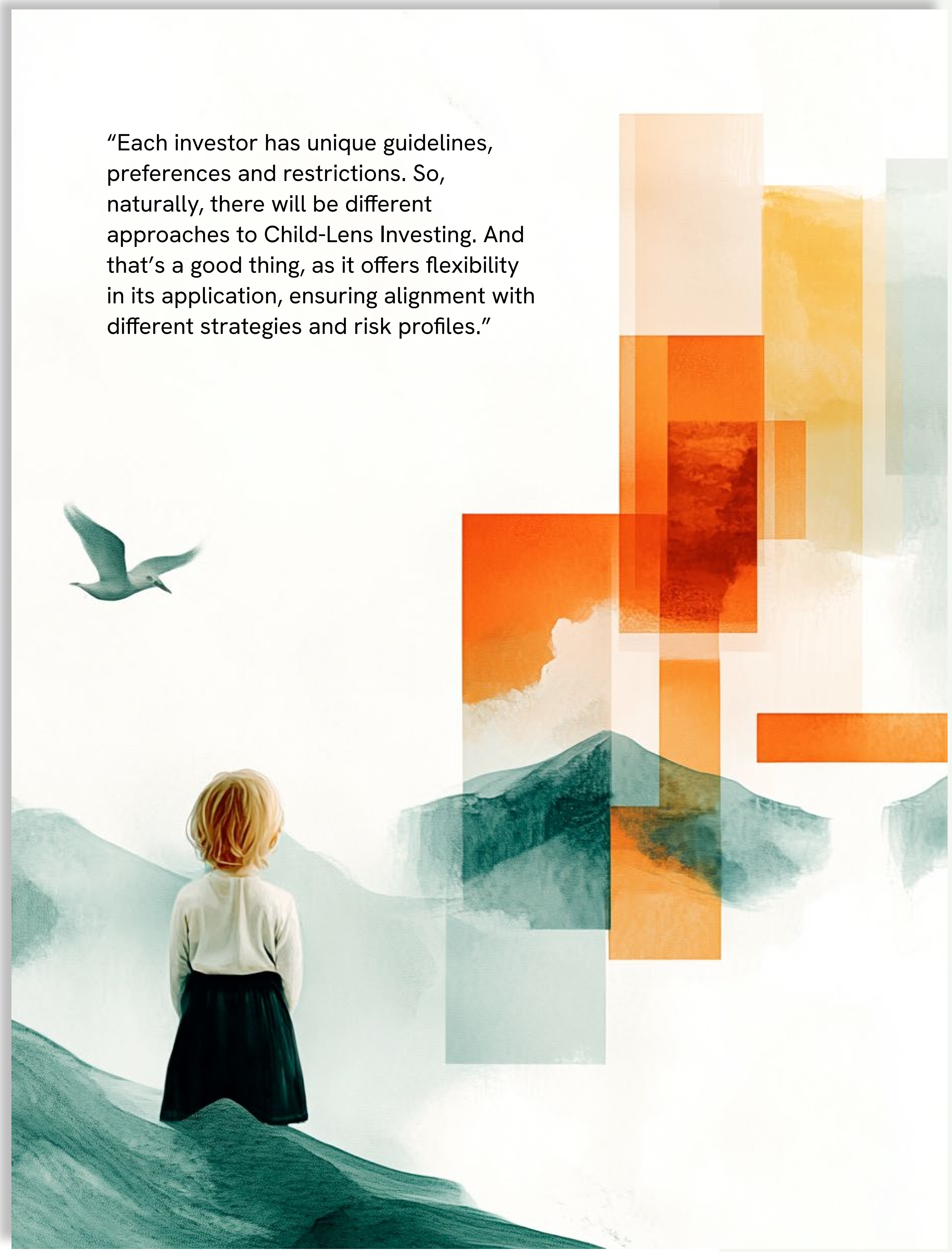
Since the partnership was signed in 2022, a share of the fund's revenues is donated to UNICEF. These contributions support a UNICEF programme in Côte d'Ivoire that combines both environmental and educational outcomes.

An Invitation to Join the Movement

Child-Lens Investing is not a niche initiative. It is a growing, necessary evolution of responsible investing that addresses one of the most fundamental questions of our time: how do we ensure a better future for the next generation?

By adopting CLI principles and frameworks, investors can play a transformative role in shaping markets that are not only more ethical, but more sustainable and resilient. Whether through screening harmful practices, implementing best practices along the whole investment cycle, designing inclusive strategies, or centring child outcomes entirely, there is space for everyone in this movement.

"Each investor has unique guidelines, preferences and restrictions. So, naturally, there will be different approaches to Child-Lens Investing. And that's a good thing, as it offers flexibility in its application, ensuring alignment with different strategies and risk profiles."



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Why it matters

Becoming better ancestors

Sjoerd Rozing, Triodos Investment Management

In October of 2024, TIME named UNICEF's Child-Lens Investing framework one of the best inventions of 2024, putting it firmly on the radar of investors. But why should we apply a Child Lens to investing. And, equally important, how should we do that? This article explores these questions, using Triodos' Future Generations strategy as an example.

The investment case for a Child-Lens approach

Applying a Child Lens to investing is not only about social responsibility—it also makes financial sense. Investing in child-centric impact themes, such as food, healthcare, education, and infrastructure, means investing in essential services. This focus can create a resilient and diversified portfolio, less susceptible to short-term macroeconomic fluctuations. We see evidence of this in our Future Generations strategy. It has lower volatility compared to the reference index. The beta is also well below one. Furthermore, applying a Child Lens leads to a portfolio with different allocations. For example, health care and consumer staples are the sectors with the highest weight in the Future Generations strategy. Generally speaking, this is not the case for impact strategies. This makes the strategy complimentary to existing impact portfolios.

Yet, the goal of this article is to convince investors to include children's needs in their investment decision making. Each investor has unique guidelines, preferences and restrictions. So, naturally, there will be different approaches to Child-Lens Investing. And that's a good thing, as it offers flexibility in its application, ensuring alignment with different strategies and risk profiles.

How to apply a Child Lens to investing

To bring the concept to life, let's start with a thought experiment: Picture the world you want future generations to inherit. Do you envision thriving rainforests, unspoiled coral reefs, and a planet where polar bears exist outside of zoos? If so, environmental sustainability is a key priority. But perhaps you also envision a world where children have access to healthy and nutritious food, have access to quality education and adequate healthcare. These are urgent challenges that children already face today.

Triodos' Future Generations strategy is structured around both long-term sustainability goals as defined in the UN SDGs and immediate needs, using the goals from UNICEF's[1] strategic plan (see the image below) as a guiding framework.

There are five key areas where investors can make a tangible impact. In our research we have found that these areas offer many investment opportunities that contribute to child wellbeing and offer an attractive return.

As investors, we play a crucial role in shaping the world future generations will inherit. By applying a Child Lens to investing, we can move beyond short-term returns and focus on building a sustainable, inclusive, and thriving global economy.

Every child survives and thrives, with access to nutritious diets, quality health care, nurturing practices and essential supplies

Every child learns and acquires skills for the future

Every child is protected from violence, exploitation, abuse, neglect and harmful practices

Every child has acces to water, sanitation and hygiene and lives in a safe and sustainable climate and environment

Every child is has access to inclusive social protection and lives free from poverty

Source: Triodos Investment Management, Graphics: UN Sustainable Development Goals

[1]UNICEF has no role in the development, management or operation of the Triodos Future Generations Fund, including its investments decisions. UNICEF does not endorse any investment adviser, investment, company or product, and makes no recommendation as to investment in the Triodos Future Generations Fund. Please see full disclaimer on page 39.

1 Child health & Survival

The challenges related to food and healthcare are immense. In 2022, malnutrition affected more than 200 million children worldwide, underscoring the scale of this global crisis. Poor nutrition can lead to stunted growth, underweight children, and, in some regions, even childhood obesity. Investing in food companies that provide healthy and nutritious options is essential. For instance, Acomo, a Dutch company specializing in organic soft commodities like nuts and spices, aligns with this goal by ensuring access to high-quality food ingredients.

Healthcare is another critical area. Children require treatments tailored to their unique physiological needs, yet pediatric medicine often faces hurdles like costly regulatory requirements and limited research. Investing in companies that prioritise pediatric healthcare ensures better medical outcomes for the youngest and most vulnerable populations.

2 Access to education

Education is a key driver of social and economic development. In 2023, an estimated 250 million children worldwide were out of school. Even among those who do attend, access to quality education remains a significant challenge. We therefore focus on companies that improve the accessibility and quality of education. A good example is US company Stride, which provides virtual education services. These services enable children that do not fall into the regular (public) school system to receive quality education.

3 Protection from violence and exploitation

Perhaps the best-known issue child protection issue is child labour. Preventing it requires addressing root causes, such as ensuring parents earn a living wage so their children are not forced to work. While direct investment in child labour prevention can be challenging, online safety is another urgent area of concern. Children are using the internet from an increasingly young age, and without proper safeguards, many are exposed to inappropriate content or become the victims of cyberbullying. Companies that provide cybersecurity solutions are interesting investment options here.

4 Safe & clean environment

A livable planet is essential for children to grow and thrive, both now and in the future. The lack of access to clean water, for example, can have life-threatening consequences. Ensuring a safe and clean environment requires a range of coordinated solutions. Investing in solutions that support environmental sustainability, such as renewable energy, water infrastructure, and effective recycling systems, is critical to securing a better future for all children.

Even if many of the products and services relevant for this theme are not specifically for children, we believe that the benefits of long-term investments in water infrastructure or renewable energy generation accrue mostly to the future generations. A good example in our portfolio is the Brazilian water utility SABESP. In the Brazilian state Sao Paulo not everyone has access to clean water yet. The company, however, has embarked on an ambitious investment program that aims to deliver universal access to water by 2029.

5 Protection from violence and exploitation

Where a child is born still largely determines their chances in life. For girls in low-income countries, the likelihood of facing systemic disadvantages is significantly higher. However, technology holds the potential to break down these barriers. Access to a smartphone, for example, can open the door to financial tools, educational resources, and social connectivity, paving the way to social and economic inclusion.

Investing in telecommunications infrastructure in emerging markets ensures that young populations benefit from these advancements. By enabling digital access, investors can help bridge the opportunity gap and foster economic growth where it is needed most.

"Children are not just smaller adults—they have distinct needs, rights, and vulnerabilities that require specific attention. Their physical and cognitive development differs from adults, making them more susceptible to harm and less able to advocate for themselves."

Matthew Goodwin
Head of Sustainable Investing
Global Child Forum

FUNDAMENTALS

Progress Monitoring

What Gets Measured Gets Done

Richard Tyszkievicz

Nordic institutional asset owners have had a longstanding interest in addressing key social challenges through their investment strategies. This is often evident in their stewardship activities, with investee companies occasionally finding themselves on portfolio exclusion lists for failing to uphold workers' rights or other breaches of international norms and conventions. With human rights already front and centre, is there really a need for investors to go further and focus on the needs and rights of specific age groups?

Matthew Goodwin, Head of Sustainable Investing at Global Child Forum certainly thinks so: "Children are not just smaller adults—they have distinct needs, rights, and vulnerabilities that require specific attention. Their physical and cognitive development differs from adults, making them more susceptible to harm and less able to advocate for themselves. As a result, businesses must recognise children as a unique stakeholder group, not just part of a broader human rights agenda."

Matt Goodwin
Global Child Forum

Global Child Forum's agenda

Stockholm-based Global Child Forum is a non-profit foundation that was initiated by the King and Queen of Sweden in 2009. It aims to promote action for social change around children's rights by convening global leaders from business, civil society, academia and government. Global Child Forum believes that the business community can be a driver of change and therefore encourages companies to keep children's rights front and centre in the way they work.

Goodwin joined the organisation in 2021 to build a global programme of work with the financial sector. Among notable milestones already achieved thus far, Global Child Forum received a CFA Sweden Society Award in 2023 in recognition of its efforts to promote the integration of children's rights into investment strategies. In 2024, Global Child Forum's engagement initiative with Swedbank Robur was nominated for the PRI Human Rights Award. Goodwin has also been part of a UNICEF Innovation Hub expert working group that developed the world's first Child-Lens Investing framework.

A challenging starting point

According to Goodwin, children make up such a large proportion of the world's population that targeted and timely efforts to address their well-being are bound to bear fruit in the future, not just for them but for wider society and economy as they move into the workforce. For the past decade, Global Child Forum has been evaluating companies around the globe each year to gauge whether their activities and policies protect and advance children's rights. In the latest such benchmark report, produced in collaboration with the Boston Consulting Group, Global Child Forum analyses and scores 1,802 companies in 8 sectors and 6 geographical regions. Unfortunately, despite some companies standing out in their efforts, the report reveals a troubling decline in average scores over the last year.

There are some mitigating factors behind the poorer overall results, as Goodwin explains: "The data tells us that the decline in scores is primarily due to expanding our universe in 2024. The new companies we added are smaller and smaller companies tend to score worse than larger companies. This is typically due to a lack of resources and human and social rights being less of a priority." Nevertheless, Goodwin considers the low scores over the past two years to be symptomatic of a systemic oversight of children's rights: "Many companies fail to see children as stakeholders, especially in sectors where direct engagement with them is limited. Unlike climate change or labour rights, children's rights lack strong regulatory enforcement, making them less of a business priority."

The corporate weak spot

Part of the general problem is that children's rights are simply a blind spot for many companies. Goodwin and his colleagues have noted many businesses do not recognise how their operations effect children. Even companies with ESG policies in place tend to ignore these types of longer-term social factors, and there is a lack of accountability that Global Child Forum seeks to address by publishing the annual benchmark reports. As Goodwin points out, these are not intended as a 'name-and-shame' exercise but rather a prompt for companies to seek out better guidance on the issue.

Global Child Forum's benchmark report provides a sector breakdown that highlights particular failings in the financial sector that Goodwin is keen to address. Goodwin believes many financial institutions focus most of their sustainability efforts on climate change, with social issues bundled together as somewhat of an afterthought. Nevertheless, some companies in the sector are doing the right thing by providing financial education aimed at supporting the needs of the under 18s. Goodwin also points to some companies' good internal policies regarding flexible working for parents, breast feeding facilities and childcare provision.

Technology & Telecommunications

The technology and telecommunications (T&T) sector is also a problem area. Social media companies and platforms are among the most popular stocks with institutional investors. Given their persistent hosting of content harmful to children, how does Global Child Forum believe large asset owners and policymakers should handle the issue? For Goodwin, T&T firms present a range of challenges: "The problem with the sector goes way beyond harmful content. There are serious concerns about algorithms designed to keep kids hooked, invasive advertising, and the misuse of their personal data—all contributing to a global youth mental health crisis. Despite growing awareness, many companies still put engagement and profit over child safety."

Despite the size of the challenge, Goodwin is eager to encourage policymakers and investors to put their combined weight behind a drive for real change: "Some governments are stepping into this space and investors, too, have started pressuring companies on these issues, but there's a need for stronger coordination, for bigger players to step in and a need for all actors to listen to children on what they see the issues are. Without clear regulation, enforcement, and investor pressure, progress will remain slow." Global Child Forum benchmarked 174 of the biggest T&T companies in the latest report, with some positive outcomes as Goodwin relates: "Some took their scores seriously, engaged with our resources, and even worked on child-focused initiatives. Others need to join us. The bottom line? Regulators, investors, and civil society need to work together to ensure children's rights aren't just an afterthought in the digital space."

A regulatory opportuity

Speaking of regulators, does Goodwin believe that the proposed EU Corporate Sustainability Due Diligence Directive (CSDDD) and Corporate Sustainability Reporting Directive (CSRD) will deliver? Goodwin believes the directives were always unlikely to make most companies take more responsibility for children's rights: "The European Sustainability Reporting Standards (ESRS) were weak on children's rights and the CSDDD was significantly watered down. It appears the double materiality element of the ESRS will remain, which means that companies will still need to consider children's rights issues. However, the overall impact for children depends on what topics remain in the final draft." Global Child Forum is also concerned by the focus of several EU commissioners on quantitative rather than qualitative data. "This will shift the focus towards issues that are easier to count and measure, such as CO2 emissions and diversity, and away from complicated, harder to measure, real problem issues, like children's rights.," adds Goodwin.

Global Child Formum's playbook

Global Child Forum's answer to these regulatory gaps is to take the matter into its own hands and provide companies with their own guidance in the form of a 'playbook.' The Global Child Forum Corporate Playbook offers several benefits for companies. It helps integrate children's rights into sustainability strategies and reporting, ensuring compliance with regulations like the European Sustainability Reporting Standards (ESRS). The playbook also helps companies conduct a double materiality analysis, allowing them to assess both the financial impacts of their activities and their effects on children's rights. By addressing these issues, Global Child Forum believes companies can enhance their sustainability performance and be more attractive to investors, as Goodwin explains: "Prioritising children's rights builds greater trust with consumers and communities, enhancing reputation and brand loyalty. The Playbook also includes insights and best practices from other companies, providing valuable learning opportunities." According to Goodwin, the playbook has received very positive feedback from companies.

Show me the money

With greater education on the topic available to investors Goodwin would like to see greater corporate engagement efforts to drive improvements. "Capital buys influence," he adds, hoping that companies will be compelled to properly address children's rights for fear of losing investors in the worst-case scenario.

Companies in Global Child Forum's benchmark are scored in four categories: Governance & Collaboration, Workplace, Marketplace, and Community & Environment. Some large multinational companies that achieve a high average score may nevertheless be producing goods and services that are not particularly sustainable or good for children to consume. This is inherent in the complexity of evaluating such a large and diverse universe, as Goodwin points out: "Our 2024 benchmark evaluated over 1800 companies across 30 industries. Given the extensive scope of this study, it inevitably includes companies whose products and services may not always be considered sustainable. It's important to understand that the benchmark assesses transparency on critical issues, rather than judging whether a company or its products are inherently good or bad for children."

Surprising outcomes

Goodwin acknowledges that this can lead to situations where, for example, a company with a high potential negative impact, such as those marketing ultra-high processed (UHP) products to children, might receive a high score if they are more transparent about their practices and impacts. Goodwin stresses that this high score reflects their level of disclosure and accountability, not an endorsement of their products' health implications for children, adding: "The benchmark topics are grouped into "impact areas," which are weighted based on the material impact of specific industries. For example, in the Food & Beverage sector, product development and marketing are assessed under the 'Marketplace' impact area, which carries significant weight due to the industry's influence on children's health. Consequently, a low score in this area will more heavily affect the overall score for companies in this sector compared to, say, a mining company."

A free resource

All Global Child Forum's benchmark reports since inception are freely available on the organisation's website, along with regional breakdowns, best practice information and other resources. Goodwin and his colleagues at Global Child Forum hope these reports and associated tools will act as a wake-up call to companies and investors and serve as a catalyst for stronger regulation, greater transparency, and long-needed improvement in corporate consideration of children's rights.

ASSET OWNERS

a Thematic Approach

Focus on Mining, Cocoa & Tech

Filipe Albuquerque, PhD

Children's Perspectives in the Council on Ethics' Long-Term View

The Council on Ethics for the Swedish National Pension Funds is a collaboration launched in 2007 between the First, Second, Third and Fourth Swedish national pension (AP) funds. It was created to manage sustainability risks in a more resource efficient way and to give greater leverage to their dialogues with international companies . Given its mission and central position at the heart of the Swedish AP funds, the Council on Ethics is a crucial player in sustainable investments in general and children's perspectives in particular are of great relevance in several parts of its active ownership work.

"The AP Funds recognise the physical, psychological and societal impact of child labour. As of 2020, estimates from the International Labour Organisation (ILO) suggest that as many as 160 million children (approximately 10% of all children worldwide) are subjected to child labour. It affects their right to education, but also to play. Beyond the individual level, child labour also affects development opportunities for local communities and for the economy. This is one of the themes we explore in our proactive engagement work," says Anna Warberg, Engagement Director and Sustainability Specialist at the Council on Ethics.

The Council on Ethics' Thematic Approach

"The Council on Ethics has since its inception in 2007 conducted norm-based screening of the AP Funds' portfolios, and engaged with investee companies in response to incidents. The Council on Ethics also works proactively to address systemic sustainability challenges – and some of the initial projects in this area have concerned child labour in particular. In recent years, the AP Funds have sought to develop the Council on Ethics' proactive work. In 2023, five specific focus areas were defined: antimicrobial resistance (AMR), child labour and forced labour, climate transition, tech companies and human rights, and water," Warberg explains.

These five themes were selected from a long list of potential candidates. "A range of factors were taken into account in the thematic selection process. Our first concern was double materiality. The goal was to find areas where companies are affected by sustainability risks but also where the actions of companies themselves contribute to sustainability challenges. The other focus was on complementarity and the ability of the Council on Ethics to strengthen the work that the AP Funds already do. For example, biodiversity was not included, per se, because the AP Funds already do a lot of work on this topic on their own. Lastly, the selection process also considered

Anna Warberg
Council on Ethics

additionality and how the Council on Ethics' work could make a positive difference," Warberg adds.

"The Council on Ethics has populated the five themes with relevant projects and approaches that can evolve over time depending on how mature the topics are, and how far companies have come in their journey on each theme. We take a systematic approach to our work. We set expectations and goals at the level of each of these projects and then we monitor them and evaluate them on a continuous basis as well. In some, we focus on company dialogues. In others, we also complement that with engagement with other stakeholders or with cross-industry activities," Warberg continues.

The Perspective of Children, Supply Chains, Mining and the Cocoa Industries

The Council on Ethics has expanded its team in recent years, with the addition of Executive Director Jenny Gustafsson in 2023, followed by Warberg and Alexander Elving in 2024. This increased capacity has among others allowed the Council on Ethics to dig into its thematic approach.

"The perspective of children is relevant in a number of our thematic focus areas. There are two primary focus areas that are most directly relevant to this work, as well as some others that are more indirectly relevant. The first one is through the theme of 'child labour and forced labour', which touches on fundamental rights that have similar profiles in terms of the challenges for companies, particularly percolating through their supply chain, in faraway regions and high-risk sectors," Warberg says.

The cocoa industry offers an example of the importance of applying a Child Lens to engagement efforts. "According to the ILO, 70% of all child labour occurs in the agricultural sector, and an estimated 1.5 million children work in hazardous conditions in Ivory Coast in Ghana, mostly in the cocoa supply chain. Given these figures, the AP Funds decided some years ago to focus on the cocoa industry," Warberg notes.

"Our focus was for companies to show that they were implementing child labour monitoring and remediation systems and that they were contributing to an environment that fosters children's rights in cocoa growing communities, especially when it comes to access to education," Warberg adds.

"As part of applying a Child Lens to this issue, we also considered the importance of living incomes for cocoa growing farmers in Ivory Coast and Ghana, since decent income for adult workers should imply fewer pressures on children to enter the labour force. This is not simply an issue of children's rights. It has been noted that income levels have already had an important impact on the number of cocoa farmers, since many have moved elsewhere in search of better opportunities. This affects the longer-term viability of these supply chains," Warberg continues.

"Beyond the dedicated child labour theme, the topic also features in our work on the climate transition, via what we call a mining path, where we focus on the critical minerals necessary for the green transition. We have a seat on the steering committee of the multistakeholder Global Investor Commission on Mining 2030 initiative, which aims to define and promote a vision for responsible, socially and environmentally sustainable mining sector by 2030. Although the focus of our participation in Mining 2030 is not exclusively child labour, this issue is one of the key challenges identified by the initiative," Warberg adds.

"For example, the Democratic Republic of the Congo holds two-thirds of the world's cobalt reserves, minerals necessary for the green transition. It has been estimated that some 100,000 people, including 35,000 children, are involved in artisanal mining in the DRC. Among other challenges for the mining sector, Mining 2030 addresses working conditions and is also focused on the ways in which the benefits of mining can be passed on to local communities. For example, mining operations can impose heavy environmental burdens on the communities where they take place and this can have serious implications for children's health," Warberg explains.

Standing Up for Children as Tech Consumers

The growth of the Council on Ethics since 2023 has allowed it to also make key strides on the issue of tech and human rights, focusing on children as consumers, rather than as part of the production process.

"Online platforms and social media are ever more present in our day-to-day lives. They represent great opportunities for society and individual users, by enhancing connectivity, transparency and access to information. But we all know that there are also risks of negative impacts on human rights, with reports of social media content fuelling hate speech and polarization," Warberg argues.

"Within that scope, we've identified children and young users as a particularly vulnerable group, such as through risks related to child sexual exploitation online and young users being exposed to violence and traumatic content. We see rabbit hole effects that are triggered by social media algorithms, causing detrimental mental health impacts on young users and a polarizing effect on society," Warberg says

"To address these concerns, we launched an investor collaborative engagement together with 30 other institutional investors representing more than €7 trillion in assets under management in 2023. This collaboration built on an investor expectation document elaborated together with the Danish Institute for Human Rights in 2020, where we had already identified children as a vulnerable group," Warberg adds.

"During 2024, many of the dialogues with tech companies have focused on how they manage those risks to children. One of the key challenges is that these companies' business models are built on algorithms that focus on repeated use and targeted advertising, which exacerbates some of these negative impacts. We're continuing to explore these topics with the Big Tech companies," Warberg explains.

Collaboration with the Global Child Forum

The Global Child Forum, a non-governmental organisation initiated by Swedish Royal Family, publishes a benchmark assessing the commitment of companies to children's rights across key issues such as child labour and impacts on young users' mental health.

"We really appreciate the Global Child Forum's efforts and their expertise. It is key for us is to be able to have a better understanding of how companies fare and of their awareness of children as a key stakeholder," Warberg argues.

"The Council on Ethics have collaborated with the Global Child Forum and other investors for two years now, targeting food, beverage and personal care companies based on the findings of the benchmark. Our goal has been to encourage the companies to conduct regular impact assessments of their risks and dynamics of child labour and their operations and in their supply chains. We have also wanted to see improved transparency to allow investors to make informed assessments of how the companies manage these risks," Warberg continues.

Understanding the Long Road Ahead

According to Warberg, the Council on Ethics approaches its work on children rights with an open mind, understanding of the power of financial incentives, seeking to help companies navigate complex situations and suspicious of unrealistic claims.

"In our work, we always try to bear the financial perspective and the needs of investors in mind. We highlight the long-term risks presented by child labour rather than just approaching it as a values-driven issue. Having researched the companies, we try to understand their position and their circumstances and how they are able to drive change, rather than just demand they move in new directions. We try to help put them in touch with other stakeholders from civil society organizations and bring them together with different peers to share experiences," Warberg says.

"When it comes to child labour, we want to work with both carrots and sticks. We want to be very clear on expectations, but we also want to encourage companies to improve for the long term. This means that we also have to acknowledge that these issues can't be solved by a single investor or a single company. The challenges require collaboration as well as transparency and trust," Warberg continues.

"We want to encourage companies to be transparent and take a long-term perspective, especially when it comes to their purchasing practices, which is really where they have leverage. We don't want them to have a knee-jerk reaction and just automatically terminate a relationship with a supplier when they have identified child labour incidents. Instead, we want them to take a long-term approach to the way they set expectations in their contracts, be clear and have systematic follow-ups so that they are not surprised. We also want to highlight the benefits of having a clear connection between the procurement departments and the sustainability departments so that companies don't act in silos," Warberg adds.

"Finally, it's important that we do not penalize companies that find connections to child labour in their supply chain. It's rather the opposite: If we come across companies in certain high-risk sectors that claim that they don't have any connections to child labour we might treat that as a red flag given what we know about how endemic some of these problems are. Child labour is a fact in many parts of the world. What we want companies to do is have robust processes in order to be able to identify and address these issues, and recognise the impact that their purchasing practices can have," Warberg concludes.

"Today's tech industry presents a challenge to asset owners who apply a Child-Lens to their investments because of their financial and social pervasiveness. My understanding is that it is important to begin by acknowledging the role of children as consumers of tech products and to be mindful of what that entails when engaging with these companies."

Alexandra Frenander
ESG Corporate Analyst
Folksam

ASSET OWNERS

Active Ownership

Giving Soft Stakeholders a Voice

Filipe Albuquerque, PhD

Folksam is one of Sweden's largest insurance groups and a committed supported of sustainable investments. It manages SEK 640 billion in assets, all of which it considers to be sustainable. In 2024, the asset owner participated in 171 advocacy dialogues, 39 of which focused on social issues.

Although they are a consumer category in their own right, Alexandra Frenander, ESG Corporate Analyst at Folksam, argues that children remain a soft issue that companies and investors struggle to engage with. Noting the underdeveloped stage of integration of children's considerations in asset owners' investment decisions, Frenander highlights the importance of a bottom-up, informed and measured approach to Child-Lens Investing.

Stakeholders in Their Own Right

For Frenander, companies should specifically focus on children's rights rather than include them under their broader theme of human rights because they have specific needs distinct from adults due to the fact that they are still developing physically, intellectually and psychologically.

"It's important to have a holistic approach to sustainable investing and make sure that addressing one topic is not done at the detriment of another. Consistency notwithstanding, some themes are sufficiently different as to deserve being considered as a category of their own," Frenander says.

"Children are a stakeholder of in their own right. When we consider the relevance of different risks to this segment of the population, we have to take into account their unique needs. They have their own physical and mental needs because they are still developing. Children are more vulnerable to a lot of things than adults are," Frenander explains.

"For example, while pollution might be detrimental to the general health of an adult, its effects on children will have to consider the fact that their respiratory system is still developing and that exposure to pollution might have long-term effects that will affect their well-being into adulthood," Frenander adds.

"Children also have specific mental health needs. When we consider the social, psychological and intellectual welfare of children we have to acknowledge that their brain is still developing. The implication is that not only are they not able to process and sort through information the same way as adults are expected to, but also that the social and familial environment they grow up in shapes the way they approach the world," Frenander continues.

"Children need to be given the opportunity to learn about life and the world and to acquire the values necessary to fit in society. But they also need to have a structured environment that allows them to safely explore the world through play and to test themselves and their environment. That's why they have a dedicated international rights Convention and should be treated as their own category," Frenander argues.

Children Remain Too Much of a Soft Issue

Despite these facts, Frenander acknowledges that children's rights remain a blind spot in certain sectors due to the way companies conceptualise children. According to figures published by the Global Child Forum's (GCF) 2025 benchmark report the decline in average standards among companies in 2023 established a trend that persisted into 2024.

"Children are too much of a soft issue. By its very nature, it is hard to measure children's labour participation in remote production centres across a complex value chain. At the same time it is also difficult to consider and predict the implications of a product on children's development. Moreover, children are not normally thought of in an economic way, but rather as a part of private and family life, because they are perceived to not be autonomous. Their labour force participation and their consumption habits are normally considered to be a function of the decisions of their parents," Frenander says.

"This is not to say that companies don't care about child labour. Most companies would agree that child labour is not good. But companies struggle to measure the incidence of child labour in their supply chain or to think of children as consumers. They lack a voice of their own, which means they are stakeholders in their own right, they are not not normally considered as such. We are hoping to change that," Frenander adds.

The Complexity of Tech Challenges

Despite being among the most popular stocks with institutional investors, technology companies have recently come under pressure as particularly problematic, due the presence of content harmful to children.

"It's important to not do sweeping condemnations of new technologies. Every new generation struggles to navigate new technologies and its social implications. Every new technology has its positive and negative effects. It is important to take the time to learn to navigate these opportunities and challenges but all stakeholders have a role to play in developing good practices, be it parents, the companies, politicians or investors," Frenander argues.

"Today's tech industry presents a challenge to asset owners who apply a Child-Lens to their investments because of their financial and social pervasiveness. My understanding is that it is important to begin by acknowledging the role of children as consumers of tech products and to be mindful of what that entails when engaging with these companies," Frenander explains.

"Given how we conceptualise children and the focus on their parents as guides, we have to acknowledge the fact that families have a crucial role to play in addressing this issue. Clearly there is a role for parents to control children's access to digital platforms and video games," Frenander continues.

"However, we must also recognise that this guidance requires a level of engagement on the part of parents with their children's digital life that will always tend to be imperfect, especially in social media. It is difficult for parents to guide their children through something they themselves are unfamiliar with," Frenander says. "For us, as an asset owner, the focus is always on improving risk management, so we need to understand this issue better," she adds.

Giving Children a Voice

While acknowledging these challenges, Folksam's approach has been to avoid blunt and extreme top-down approaches or views. As part of a project on Children's mental health, Folksam has worked with UNICEF Sweden and Danske Bank to consult children and listen to their needs.

Frenander argues that the solution cannot rest exclusively on a paternalistic approach. "We need to consider the problem from a bottom-up perspective, identifying the needs and wishes of children to build investment strategies and policy frameworks. This is why the Child Reference Group is such a valuable tool. It gives children a voice. By visiting several different schools in Sweden, talking to children of different ages and asking open questions, this initiative developed by UNICEF Sweden leaves enough room for children to explain what they want," Frenander argues.

Alexandra Frenander
Folksam

"It might be surprising but the conclusion of the survey clearly shows that children do not want unfettered access to online content. Children don't want to see harmful content. They want content that is tailored to them. One of the results of the visits was to highlights online age verification as a popular way to filter the online content available to children. However, even such a recommendation is not a 'solution' in and of itself, since age verification mechanisms are either difficult to implement or easy to circumvent," Frenander says. "The discussion within the partnership is still ongoing. There are no final outcomes yet. We are exploring the implications of these results for our holdings," she explains.

"Based on the results of this survey, with support from UNICEF Sweden, and inspired by Danske Bank's experience in Denmark, we have identified the opportunities and risks in the sector and mapped our holdings in the Swedish tech market. We are not looking at tech giants, like TikTok or Facebook, but the Swedish market actually includes a lot of video game companies. We are looking for concrete examples of what we can do to contribute to best practices and improve the welfare of children," Frenander adds.

"Child-lens investing is an interesting framework that should be more explored to ensure that children's rights are incorporated into investment decisions. It is not always an easy factor to integrate and investors should understand the nuances of this issue and its relevance for their of marketing and supply chain management. However, the first step must surely be to listen to what children have to say for themselves," Frenander concludes.

IN-DEPTH

Investment Cases

The Investability of Future Generations

Aline Reichenberg Gustafsson, CFA

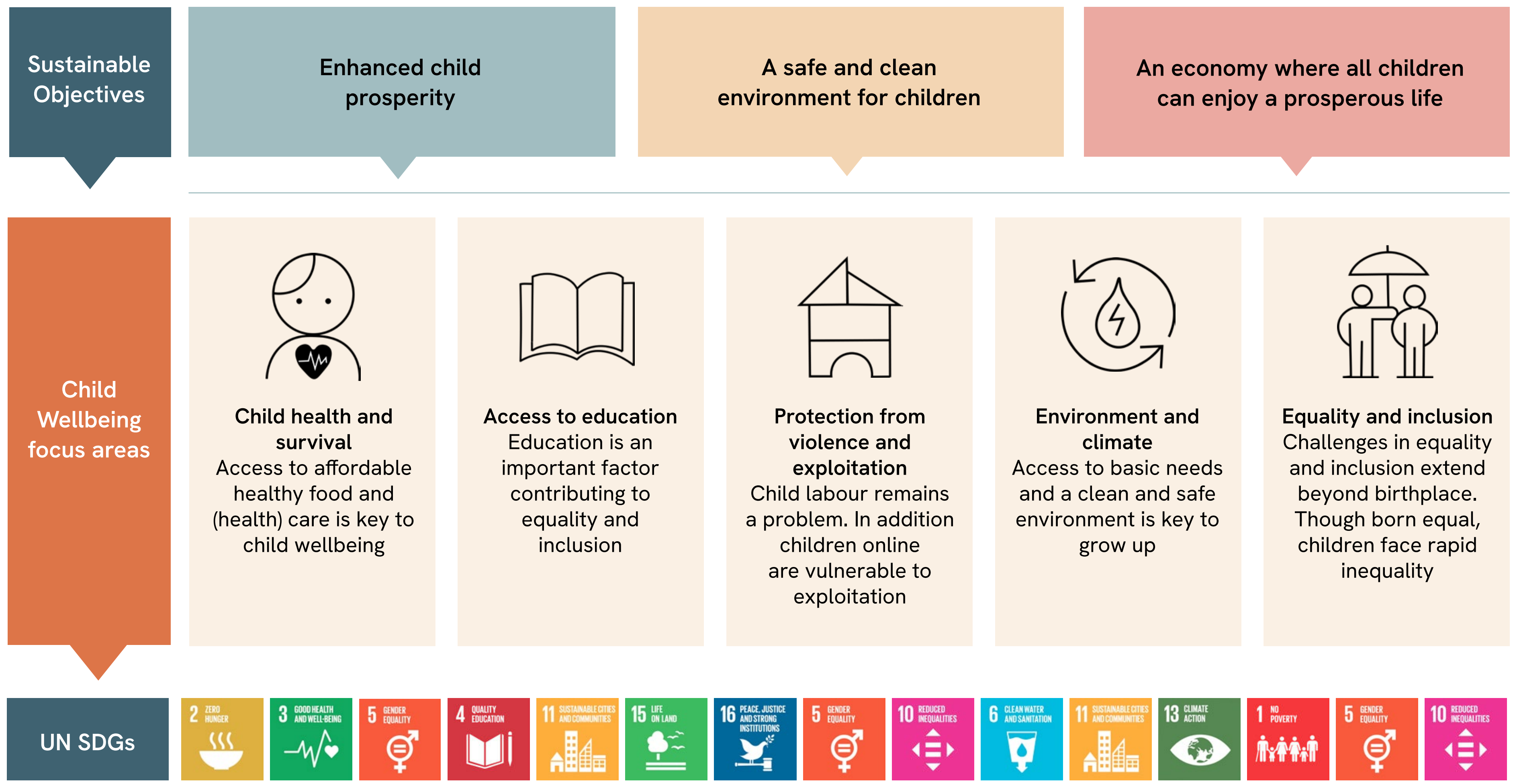
In the current impact investing landscape, when seeking competitive financial returns, most investments are directed toward environmental initiatives. As a result, social impact investments remain relatively underinvested. For Sjoerd Rozing at Triodos Investment Management, Child-Lens Investing provides a fantastic opportunity in the social impact investment space. He tells us how he constructed his strategy, why the theme is so compelling in today's market and how it applies to two very different investment cases.

The Backbone of a Listed Impact Strategy

At Triodos IM, the notion of impact investment is well defined and has been entrenched in its culture from the start. Impact, risk and return are always considered on the same footing, which means that the selection process always starts with determining the positive impact of any potential investment, an approach referred to as 'intentional' in the impact jargon. For the Future Generations strategy, a minimum of 33% of a company's revenue must be attributed to one or more of the five child welfare focus areas (see below).

The Triodos Minimum Standards are applied as a negative screening, to avoid inadvertently investing in stocks that impact children positively but generate too many negative externalities otherwise. An integrated financial and sustainability analysis is then conducted to assess the fundamentals of a company and evaluate the impact of material sustainability factors on the value of the investment proposition.

An important pillar of the investment process is engagement, which is what is considered the 'additionality' of the investment in the case of public market investments.



Source: Triodos Investment Management, Graphics: UN Sustainable Development Goals

Theory of Change

This impact approach relies entirely on the ability of the manager to build a fundamental bottom-up portfolio while maintaining a diversified profile and a competitive risk-adjusted return. A Theory of Change provides the framework that underpins how the Future Generations strategy acts, invests and evaluates its activities. The first pillar focuses on the prosperity of children from a health and safety perspective. The second includes a strong environmental drive to ensure a better future for the generations to come and the third pillar takes an economical perspective. In addition to the advocacy agenda set up in collaboration with UNICEF, Triodos IM also donates an amount equal to 10 basis points of the fund's AuM to UNICEF's Building Bricks for the Future project in Côte d'Ivoire. This project builds schools with bricks made from plastic waste.

The rigorous criteria applied by the 'Future Generations' team result in a slight sector bias. "We have quite some exposure to healthcare," says Rozing. "This is a space where children's needs are just different from those of adults. We identify those companies that focus specifically on children in that sector. We also have a fairly large exposure to food for the same reason." Another way to apply a Child Lens to investments lies in negative screening. "When you think about children's wellbeing, a clear area of concern is child labour. Yet topics such as marketing practices and living wages - do parents earn enough to provide for their children - could also be cause for concern," Rozing adds.

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A unique opportunity for profitable impact in the social sphere

A strategy wouldn't be successful if it didn't meet investors' needs. Why does investing using a Child-Lens Investing framework make sense? For Rozing, the answer is easy. "What is appealing about this strategy is that it has a clear social focus while many other impact investments tend to be heavily oriented towards environmental issues. While we do take this dimension into account in our theory of change, our main focus is on social issues. The other reason our strategy makes sense is that the risk is typically lower than with environmental strategies while still offering a good return." Given that investing with a Child-Lens Investing framework has a different sector allocation than most climate or environmental strategies, this allows for more diversification within a broader investment portfolio. Adding such a socially focused strategy to an otherwise green impact allocation can also serve as a risk mitigator, given the added diversification.

If we:	**Invest and engage with carefully selected global listed companies that**		**Demonstrate additionality beyond making impact investments by**
	> Contribute to the welfare and rights of children across the world	> Reduce their carbon footprint > Do no significant harm to the environment in which children grow up > Show improvement in environmental practices following engagement by investors	> Proactive advocacy of companies' role in contribution to children's rights > Triodos IM donating to the UNICEF Bricks project annual 10bps
Assuming:	Investee offering access to basic human needs and lifting barriers for individuals will boost shared prosperity	Investee promoting renewable resources and efficiency will help to fight overexploitation of natural resources	We continue to be a front-runner and our strategy leads to impact and attractive returns which we effectively communicate
Then we expect:	> Improved children's survival and health > Protection from violence and exploitation > Improved access to basic needs, i.e. a safe and clean environment and to education for children > Equal opportunity and inclusion for children's development	> A fossil fuel free economy > A circular economy > Sustainable food systems	> Financial institutions cater better to child wellbeing > More schools are constructed due to increased fund inflow
Which will contribute to:	**Enhanced child prosperity**	**A safe and clean environment for children**	**An economy where all children can enjoy a prosperous life**

Source: Triodos Investment Management

CASE #1

Stride

To illustrate how he has been able to select investments that satisfy the Child-Lens Investing framework developed for the Future Generations strategy, Rozing has picked two different examples. The first is a company that provides services directly intended to benefit children: the US virtual-education provider Stride.

“For most kids, the normal schooling system works well,” Rozing starts. “For some, however, virtual education can be a crucial component to a successful schooling. These are instances when kids have special needs. They don’t benefit from going to school in the same way as others, their homes are far away or they are high-performance athletes, for example. Another instance is when children move around a lot if their parents are assigned to different military bases. Then virtual education is a very good solution. Before Covid, the market was very small, and the pandemic brought to light the advantages of distance learning. The market remains niche (1-2% of the population) but the concept has become more mainstream.”.”

The choice between traditional and virtual learning environments is heavily driven by parents, however, and there is still a large untapped enrolment potential. School boards can also make decisions as to which virtual education services they want to work with. “There are other firms competing in this space, of course,” Rozing explains. “But Stride is a pure-play, and they are gaining market share. They are deploying more efforts to enrol students and provide the special attention and quality education that they require. These are crucial factors for both parents and partnering schools.”

Quality is also key to reduce risks. One of the most prominent risks for a virtual-education provider is the loss of state funding. With each state responsible for their own regulations and restrictions, it is important to note that the political backdrop can play a role in opening or closing the gates for virtual education. Responsible marketing is also a key area to watch when investing in this space. “We would not like to see that enrolment growth is being driven by children for whom virtual education is not the right solution ,” says Rozing.

The company’s activities fully contribute to the Access to Education theme, one of the five themes of the Future Generations strategy.

CASE #2

SABESP

For the second case Rozing has chosen to talk about a company which serves the general population, while having a significant impact on children’s lives. Companhia de Saneamento Básico do Estado de São Paulo, SABESP for short, is a prominent water and sewage service provider in Brazil and clean water is, after all, a necessity for a healthy childhood.

“While Brazil is a relatively developed country, still not everybody in the state of São Paulo has access to clean water and sanitation,” Rozing explains. “There is a significant growth potential for SABESP and that will have a direct impact on people’s lives, especially for children, not only today but for many years in the future. Investments in water infrastructure are typically very long-lived and may serve children for several generations. From a business perspective, water is an essential good and therefore faces a stable and predictable demand.”

At the time Rozing first invested in the company, it was still mostly state-owned and ran suboptimal. Hence in addition to the expansion potential, there was room for margin expansion driven by efficiency measures. “Last year, the state privatised SABESP by selling a large stake to the market. Since then, the company has embarked on a mission to become more efficient and they have already started to show improvements. They also have a target to deliver universal access to water by 2029. It is a huge undertaking, and they will be deploying significant amounts of capital to achieve it. Even if they cannot reach their target in just five years, they will have the pressure to show results as fast as possible. This means both top line growth and margin expansions which we expect will continue to unlock value for investors like us,” he says.

Initially, this investment opportunity came into the Future Generation’s portfolio as the team was looking for a company which products and services were advancing SDG 6 - Clean Water & Sanitation. “We ran a screening and we decided to have a closer look,” Rozing says. “We got excited because the regulated utility model was attractive from a valuation standpoint. We also liked the fact that it was different from the typical names held by most impact investors in relation to water.”

Coincidentally, the company also runs several children-related projects. “This is a nice feature, but it is anecdotal,” Rozing admits. “We wouldn’t have invested in this company if it had been only for this aspect of the business. It is an attractively-priced, not widely-owned regulated company in a country where there is no universal access to water yet.

Evidently, the risks surrounding the investment are non-negligible. Emerging markets, in general, are best approached by investment experts not the least due to their volatile governments and politics which can very quickly change and affect the local currency. For a responsible investment firm such as Triodos IM, biodiversity loss is also a prominent risk factor. “I know that several of their sources are in some way connected to the Amazon area and they need to thread very carefully there to avoid disrupting the ecosystem that is very fragile. Should this aspect not be managed well by the company, we wouldn’t be able to hold this position anymore. The company is also the largest carbon emitter we have in the portfolio. Pricing of its emissions would affect the profitability of the company. The fact that it is a regulated entity gives us some comfort that these potential costs can be passed on. From a sustainability point of view, we are facing a trade-off, so much is clear. We have decided that the benefits overweigh the costs for now,” says Rozing.

Position size is a way to deal with the inherent risk of such positions. “We try to keep it small enough that it won’t hurt our performance but large enough that we can make a difference by owning the shares,” Rozing explains. “So far, the engagement opportunities have been somewhat limited, not so much due to language barriers or time zone differences but by the structural changes the company has undergone in recent years. The privatisation process has generated significant turnover at the top, so it was not the right time to engage. When the company stabilises there will be a time to have more meaningful conversations about child wellbeing. Our biggest priority will most likely be around emission reduction. We strongly believe that reducing carbon is very beneficial for children and especially for future generations,” Rozing concludes.

PODCAST

Child-Lens Investing

A New Paradigm for Sustainable Investment

Filipe Albuquerque, PhD

Child-Lens Investing is a groundbreaking framework that aligns the power of global finance with the well-being of the world's 2.2 billion children, UNICEF's Child-Lens Investing Framework (CLIF) is an emblematic example of this approach, recognized by TIME as one of the best inventions in 2024. It is a pioneering tool designed to integrate child-related considerations into investment strategies, bridging the sustainable investment gap but also highlighting the financial potential of investing in children.

This initiative was the focus of a recent interview featuring Sjoerd Rozing, Portfolio Manager at Triodos Investment Management, and Radha Kulkarni, Lead of Innovative Financing at UNICEF. Their discussion explored the motivations behind this framework, its application in investment strategies, and its transformative potential.

Why Focus on Children?

According to Kulkarni, Child-Lens Investing responds to two needs: the needs to have better resources to support the development of children and the needs of investors to manage risk and deliver impact.

"Children make up one-third of the world's population, [...] They are one of the most important stakeholders because they are future consumers, they are future voters, future decision makers. Yet 50% [of them] do not have access to even basic services, such as clean drinking water or nutritious food," says Kulkarni.

Beyond the moral appeal of empowering future generations, Kulkarni argues that it is also an appealing investment, due to its strong multiplier effect, "Evidence [overwhelmingly] suggests that investments in childhood offer a very special window of opportunity that can break cycles of poverty and uplift entire communities, creating a more equitable and productive societies. Every dollar invested in early childhood development can yield up to $17 in lifetime earnings," Kulkarni adds. Given these dynamics, she notes that Child-Lens Investing is a very effective way of addressing the "increasing financing gap" related to the UN Sustainable Development Goals (SDGs).

Kulkarni argues that Child-Lens Investing is also a particularly relevant approach for impact investors. "Investors are increasingly interested in the impact of investments, particularly through the double materiality lens, [focusing on] the financial materiality, as well as the impact materiality. [The latter] includes assessing their effects on external stakeholders, such as children. When an investor fails to identify the child-related impact, whether it be child labor exposure or supply chain risk because parents do not have living wage and do not have the means to take care of their children, [they are missing] blind spots that can yield significant risk to a portfolio," Kulkarni continues.

What is the Child-Lens Investing Framework?

Despite these clear benefits, child-related considerations feature in investment decisions too rarely, still. As Kulkarni puts it, "there are no frameworks or standards to assess the impact of investments on children."

The negligence suffered by children is a result of their lack of economic agency. "Today's children are overlooked by the investment community simply because they are not economic agents today. They are not employees. They are not the direct purchasers of goods and services produced by companies, so they are not direct consumers. [As a result,] the investment community is not systematically measuring the positive and negative impacts of investment on children. We are aiming to fundamentally change this," Kulkarni says.

UNICEF's CLIF is a flexible tool to help investors systematically incorporate child-related considerations throughout the investment cycle, from pre-investment to divestment.

"CLIF is interoperable with other frameworks, lenses and best practices, which then facilitates easy adoption. [It provides] flexible approaches that investors can adopt through its [Child-Lens] taxonomy. So, it's really designed to be applicable across all portfolios, asset classes, regions, markets and investment strategies," Kulkarni adds.

"For example, [CLIF is suitable for] a child-centered impact fund [such as] a fund that invests in affordable health technologies to advance maternal, newborn and child health. [The framework is also appropriate to] a child inclusive impact fund where children are direct or discreet beneficiaries, say investments in climate or sustainable agriculture or affordable housing," Kulkarni continues.

Triodos IM and the Child Lens

Impact investor Triodos IM uses CLIF for its children-focused Future Generations strategy. Rozing, who manages the strategy, shares how the framework aligns with his investment philosophy.

"One thing that [Triodos IM] always emphasizes is that we are an impact investor. This means that we put impact, risk and return on the same level. We aim to make the same type of returns on our investments as a traditional investor. We just have a different focus: impact," Rozing says.

"When I started [working] in finance, I believed that money could be a powerful tool for change," Rozing says, noting that investors can influence company decisions. "As a shareholder in a company, you have a vote you can use at Annual General Meetings (AGM). I wanted to use that influence as an investor. As a father, I realise that the decisions I make today directly shape the world my children will inherit," he adds.

Describing Triodos IM's investment approach, Rozing highlights the 5 transitions themes the firm has identified which, when solved, would "change the world into a much more equal society on a planet that stays within its boundaries, natural boundaries": the food transition, the energy transition, the resources transition, and the societal and well-being transition.

"CLIF adds to this by making certain topics much more visible," Rozing says, noting for example, that access to healthcare for children requires unique considerations because they are more vulnerable to certain health risks. "The transitions that we have identified are very beneficial for children. But zooming in with the Child Lens allows us to carve out a niche with very interesting areas that are relevant for children as well. [The Child Lens] is a subset within the five transitions that we have identified," he adds.

Working Together for Children

Partnerships such as the one between Triodos IM and UNICEF help to shift perceptions about children and raise awareness about their relevance as unique stakeholder.

"Together, we aim to amplify the voice of children across the world. We do that in two ways: We engage with all of the portfolio companies to make sure that they start recognising children as a separate stakeholder and that they need to take into account their needs. But we also try to inspire our peers in the industry to follow [our lead, so that] they start to realize that applying the Child Lens to their investment decisions actually makes a lot of sense," Rozing explains.

UNICEF co-developed CLIF with 100 plus global stakeholders and drawing from learnings of other investment frameworks to ensure it was market relevant. There are five aspects to UNICEF's partnership approach. "First, [we want to maintain a] deeper engagement with the cohort of six diverse asset managers who provided us detailed practical feedback so that this framework is market relevant. Second, we will continue to work on creating a compelling business case for Child-Lens Investing, be it through additional studies, insights, research or guidance including our work with asset managers," Kulkarni says.

"Third, we aim to continue to harmonize children's investing with existing approaches, standards and frameworks, because there's just so much fatigue around multiple kinds of standards and frameworks. We also aim to build a community of practice with asset managers so that we can develop adoption standards for children's investing in the future, which are compatible with the existing ones like OPIM or PRI, amongst others. Fourth, (...) we plan to (continued to) collaborate with asset managers to build their capacities on UNICEF's Child-Lens Investing. Of course, UNICEF does not endorse any investment advisor, investment specific investment company or product and makes no recommendations to investors as to their investment. However, what we do is to build investors' capacities on the Child-Lens Investing framework. Lastly, we plan to co-build this field with diverse stakeholders and take everyone along this journey," Kulkarni adds.

Diversifying Portfolios Through Child-Lens Investing

According to Rozing, Triodos IM's use of CLIF has led it to develop a diversified portfolio of global small-cap companies across multiple sectors. "The strategy is mainly focused on smaller-mid caps, [which represent] a little bit more than 75% [of the portfolio]," Rozing says, noting that "companies are more impactful when they are smaller."

Although larger companies can also be impactful, Rozing notes that the impact is diluted by the size of the company, which means that their contribution is not as material as in the case of smaller companies. "Our standards require every company that we invest in to derive 33% of its revenue from activities that contribute to the five transitions that we would like to see," he adds.

Triodos IM's Future Generations' approach is neither geographically nor sectorally restrictive. "We invest globally, from New Zealand's to the Netherlands and the US. Any country is investable as long as the shares are liquid enough to allow us to keep growing overtime," Rozing explains. He also notes that sectoral diversification is where Child-Lens Investing framework differentiates the strategy from other impact investors who tend to be disproportionately invested in environmental themes.

"If you look at our universe, there are a lot of companies from the healthcare sector, [...] because children need specialised care. We also own [a few] industrial companies [...] because many companies that contribute to access to clean water are industrial companies. The other sector that has a significant allocation is consumer staples, because children need access to healthy food," Rozing says.

Zurn Elkay Water Solutions, a US-based company that provides water filtration systems to schools in the USA offers an example of the benefits of applying a Child-Lens Investing approach, according to Rozing. "They contribute to access to clean drinking water for children in the US. [...] It's also a very well-run business. It's a company that consistently performs aligned with our expectations. It's very capital light so it doesn't require a lot of investments to be run, [which means that] there's a lot of cash coming out of the company and it generates good returns. It's a very impactful business with very solid fundamentals," he explains.

Activating and Engaging Investors

Kulkarni takes a holistic approach. "The Child-Lens Investing framework basically wants to bring to the fore that all investor actions impact children, whether directly or indirectly," she says later in the discussion before using the example of renewable energy. "Investments in renewables may enable access to electricity for children so that they can study later in the night or evening. This in turn may enhance education outcomes or reduce dropout rates. These connections exist but they are not recognised. It is critical to guide investors step by step to incorporate child considerations in their investment strategies and processes. This will enable us to align that capital towards outcomes that benefit children," Kulkarni continues.

Once these connections have been identified, investors are able to see the relevance of Child-Lens Investing and leverage it in their engagements with investee companies. "[Investors can] support investing companies to identify as well as address any gaps that there might be that can contribute to positive outcomes for children," Kulkarni adds.

She notes that investors can leverage all their tools through active ownership, be it via voting at AGMs for shareholder resolutions targeting child rights or direct oversight of their portfolio. Companies can identify child considerations expertise in investing companies, develop a standalone policy or commitment statement or guidance on children's rights as a stewardship engagement theme and improve their disclosure on children. "We are currently developing a targeted toolkit for investors to carry out stewardship in line with Child-Lens Investing. It'll be released next year, so watch out for it," Kulkarni says.

Rozing agrees that there is a need to continue to raise awareness to the issue of children's welfare. "It's very good that we now have this momentum behind CLIF, including the recognition by TIME," Rozing says, noting that even companies who have children as users or consumers have normally not considered children in their materiality analysis. "What we really need is for more investors to ask these questions of companies," he adds noting that the progress will be driven by increased engagement momentum.

Staying the Course

Going forward, the focus is on consistency and focusing on spreading the message rather than innovating. "I think we'll continue doing what we're doing. I've learned over the last 15 years that I've been in this sector that if you keep repeating yourself and keep asking the same questions, at some point, people will listen," Rozing argues.

Investment opportunities and challenges will be the result of market dynamics. With potentially more mergers and acquisitions, the Triodos IM Future Generations strategy could lose a few companies, creating opportunities for good returns and limited equity turnover. "We'll keep focusing our stewardship efforts on what we've been doing for the last two and a half years and that will pay off at some point," Rozing adds.

According to Kulkarni, UNICEF's work will take a three-pronged approach in 20205, focusing on developing guidance, evidence and additional tools and data metrics with partners such as Iris+. UNICEF will also continue to push investors and the investment community to adopt Child-Lens Investing to align about US$1 billion in support of children and influence the market and establish children's investing framework as an accessible and best in class financial tool.

"My wish for the industry and the investment community as a whole is that together we recognise children as critical stakeholders, because they really are the promise of our present and the architects of our future," Kulkarni concludes.

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Get in touch!

It is time for you too to implement Child-Lens Investing. For guidance and support, and if you have any follow up questions please reach out to NordSIP, or directly to:

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INVESTOR HANDBOOK

Child-*Lens* Investing

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