INVESTOR STATEMENT IN SUPPORT OF THE REPORT '*COMBATTING CHILD LABOUR IN COCOA - INVESTOR EXPECTATIONS AND CORPORATE GOOD PRACTICE'*

Whilst investors recognise that a lot of efforts are being carried out against child labour in the cocoa supply chain it is estimated that over **two million children still work in hazardous conditions in West African countries, and in particular Côte d'Ivoire (Ivory Coast) and Ghana**[1]. Côte d'Ivoire and Ghana are also the worlds' leading cocoa producing countries, together accounting for almost 70 per cent of cocoa production worldwide. Since the Harkin-Engel protocol in 2001, the cocoa industry made pledges to end these practices. In 2010, this commitment was reiterated in a joint declaration with the objective to reduce the worst forms of child labour by 70 per cent by 2020.

Various programmes aiming to increase productivity and improve livelihood among cocoa-growing farmers have been scaled up over the years. Certification, such as Fair Trade, the Rainforest Alliance and UTZ Certified have also spread. Tailored systems designed to identify and remediate cases of child labour have been rolled-out in parts of the cocoa supply chain in Côte d'Ivoire and Ghana.

Efforts continue to be strengthened across the cocoa supply chain by the industry, governments and others. However, there is also acknowledgement that more work remains to be done, in particular, as millions of small-scale farmers, who still need to be supported, are involved in cocoa farming in West Africa.

Investors believe that compliance with international human rights norms - including those relating to child labour - are the necessary minimum requirements needed to invest in a company. In addition, a growing number of investors expect companies to operate according to the UN Guiding Principles on Business and Human Rights, which states that:

> *'Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.'*[2]

International human rights norms are clear on child labour. The **ILO Convention No. 182 on the worst forms of child labour (article 3d) defines hazardous child labour as** *'work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children'*[3]**. UN Global Compact** *Principle 5: the effective abolition of child labour* points to the responsibility of the private sector to respect children's rights[4]. Finally, child labour is also specifically mentioned under **Sustainable Development Goal (SGD) 8** on Decent work and economic growth. The goal sets out to:

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[1] http://www2.tulane.edu/news/releases/tulane-releases-report-on-child-labor-in-west-african-cocoa-production.cfm

[2] Chapter II, Principle 11 http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

[3] http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312327

[4] https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-5

'Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms'[5]

When faced with investee companies that are linked to child labour or other violations of international norms, investors weigh the reputational risks. In addition, and in some instances, these violations can be contrary to their investment policies or philosophies.

When violations to international norms are identified, investors expect companies to swiftly adopt measures to address such situations.

There is also a financial incentive for investors in ensuring that companies remedy such practices. There is growing evidence of a correlation between sustainable ESG practices and company performance. Well-governed companies are worth more over the long-term[6]. Companies integrating key ESG risks into their strategy are likely to achieve superior and more long term, sustainable returns. This is particularly true for the cocoa sector, when investee companies are able to secure a stable farmer base. In recent years, urbanisation and the aging farmer population, both macro trends in cocoa producing countries, have put a strain on the sector. In order to attract and retain a workforce, the industry needs to ensure that cocoa farming is lucrative by paying farmers adequately so that they can sustain themselves and their families.

Based on the above, the undersigned investors strongly encourage the cocoa industry to take actions towards the investor expectations stated below.

INVESTOR EXPECTATIONS

Expectations are formulated with the aim to both identify and remediate in a sustainable manner cases of child labour as well as address poverty, the underlying root cause of child labour in the cocoa industry.

These expectations for cocoa companies include:

- *The communication by cocoa companies of a detailed plan, including an expected timeline, on how child labour identification and remediation systems will be rolled out to the majority of their farmer bases in Côte d'Ivoire and Ghana by 2020; in addition, companies should ensure a continuous roll-out of the plan beyond 2020 so that it eventually covers their entire farmer base in the two countries;*
- *Demonstrate progress towards a living income for farmers in Côte d'Ivoire and Ghana, by reporting on the impact of farmer programmes and other initiatives on farmer income, and;*
- *Lastly, report to what extent current income levels match a living income for cocoa-growing farmers in the two countries.*

[5] http://www.un.org/sustainabledevelopment/economic-growth/
[6] Deutsche Bank Beyond the Numbers, London Business School /European Corporate Governance Institute, Finance Working Paper: 'Returns to Shareholder Activism"

We welcome dialogue with the cocoa industry on the expectations and future steps towards their realisation.

Actiam
Dennis van der Putten
Head of Responsible Investment and ESG Research

Kathleen Woods
Corporate Responsibility Committee Chair
Adrian Dominican Sisters' Portfolio Advisory Board

Peter Lööw
Head of Responsible Investment
Alecta

Camille Wynter
ESG Investment Research Analyst
AMP Capital Responsible Investment Leaders Fund

Ossian Ekdahl
Chief Active Ownership Officer
Första AP-Fonden

Ulrika Danielson
Head of Communications
and Coordinator of Corporate Governance
Andra AP-Fonden

Peter Lundkvist
Head of Corporate Governance
Tredje AP-Fonden

Arne Lööw
Head of Corporate Governance
Fourth Swedish National Pension Fund

Willem Hettinga
Responsible Investment Specialist
APG Asset Management

Jack Julicher
CIO
ASR Nederland

Kelly Christodoulou
Environmental, Social, Governance Manager; Investments
AustralianSuper

Oliver N. Hagedorn
CEO
avesco Financial Services AG

Karsten Volker
Head of Sustainable Investments
Bankhaus Schelhammer & Schattera AG

Heinz-Peter Heidrich
Spokesperson for the Management Board
BANK IM BISTUM ESSEN

Naïm Abou-Jaoudé
CEO
Candriam Investors Group

Gary W. Kidwell
President
Christian Church Foundation

Tim Macready
Chief Investment Officer
Christian Super

Sara Nordbrand
Head of Sustainability
Church of Sweden

George Schmitz
Coordinator for Social Responsibility
Congregation of Holy Cross, Moreau Province

Sister Colleen Dauerbach SSJ
Social Justice Coordinator
Congregation of the Sisters of Saint Joseph of Chestnut Hill, Philadelphia, PA

Karen Watson, CFA
Chief Investment Officer
Congregation of St. Joseph

Sister Teresa George, D.C.
Provincial Treasurer
Daughters of Charity, Province of St. Louise

Janicke Scheele
Head of Responsible Investments
DNB Asset Management

Valerie Heinonen, o.s.u.
Director, Shareholder Advocacy
Dominican Sisters of Hope

Gerold Permoser
Chief Investment Officer
& Head of Responsible Investments
Erste Asset Management

Chris Meyer
Manager of Advocacy and Research
Everence and the Praxis Mutual Funds

Doris Hauser
Head of Sustainability Research
Forma Futura Invest AG

Roman Limacher
CEO
Hauck&Aufhäuser (Schweiz) AG

Rabbi Joshua Ratner
Director of Advocacy
JLens Investor Network

Eoin Fahy
Head of Responsible Investing
KBI Global Investors Ltd

Annie Bersagel
Acting Head of Responsible Investments
KLP

Tom Liljeström
CEO
LocalTapiola Asset Management Ltd

Christina Kusoffsky Hillesöy
Head of Sustainability
Länsförsäkringar AB

Sabine Castellan Poquet
Head of Investments
MACIF Group

Jerry Judd
Senior Vice President & Treasurer
Mercy Health

Pat Zerega
Senior Director of Shareholder Advocacy
Mercy Investment Services

Hervé Guez
Director of Responsible Investment Research
Mirova Responsible Investing

Anna-Sterre Nette
Senior Advisor Responsible Investment & Governance
MN

Michelle de Cordova
Director, Corporate Engagement
& Public Policy, ESG Services
NEI Investments

Sister Judy Byron, OP
Director
Northwest Coalition for Responsible Investment

Eric Van La Beck
Directeur du Pôle ISR
OFI AM

Sune Schackenfeldt
CEO
PBU

Henrik Nøhr Poulsen
CIO
PFA Asset Management

Lasse Kammer
CEO
REABIZ Crowd Capital GmbH

Mag. Wolfgang Pinner, MBA
Sustainable & Responsible Investments,
Head of Department
Raiffeisen Capital Management

John David
Head of Rathbone Greenbank Investments

Sr. Margaret O'Brien
Assistant of the President
Sisters of Charity of New York

Per Lindgren
Head of Manager Selection and Corporate Governance
Skandia

Matthew Smith
Head of Sustainable Investments
Storebrand Asset Management

Richard Keery
Investment Manager
Strathclyde Pension Fund

Dr. René Nicolodi
Head Equities & Themes
Swisscanto Invest by Zürcher Kantonalbank

William Sterling - Ph.D.
CEO
Trilogy Global Advisors

Mary Beth Gallagher
Executive Director
Tri-State Coalition for Responsible Investment

Andrée Mayrand
Director, Investment Management
University of Montreal

Andrée Mayrand
Director, Investment Management
University of Montreal

Sister Valerie Heinonen, OSU
Director of Shareholder Advocacy
Ursuline Sisters of Tildonk, U.S. Province

Carly M. Greenberg CFA
Senior ESG Analyst
Walden Asset Management

Fredric Nyström
Head of Responsible Investment
Öhman