

Children: The Forgotten Constituency in Investment Stewardship

Since responsible and sustainable investment became well established as an integrated investment strategy, investors have witnessed an ever-increasing number of issues and initiatives brought into the fold of what might be considered of material environmental, social and governance (ESG) importance. Asset owners and managers have now closely integrated major themes such as climate change, modern slavery and wider human rights into their risk review systems and processes. This, in turn, has seen an exponential rise in business awareness and competence in assessing, for instance, climate risk and supply chain due diligence. Investors have been helped by a proliferation of helpful 'benchmarks' and 'indices' designed to help investors match their ethical values with investment returns. Many of these tools have become well-established; Access to Medicines Index (2008), Access to Nutrition Index (2013), and the Business Benchmark on Farm Animal Welfare (2012) are just three, whilst the Principles of Responsible Investment (PRI), with its roots going back to 2005, has become a global institution of 5,000 asset owner and manager signatories from over 80 countries committed to a framework of actions that seek to incorporate environmental, social and governance factors into investment practices across diverse asset classes.



All of these myriad initiatives by the global investment community have undoubtedly progressed significant change. However, perhaps surprisingly there is one area of investment activity that has remained relatively ignored by investors: children. Children as a constituency have been broadly overlooked by investors and fund managers, despite their being a target audience for global business.

Children have no agency, little lobbying power, and in the main only secondary financial power via an adult parent or guardian. This is to ignore however, the profound impact business – for good or ill – may have on children as participants in the economy, or as parties potentially exploited by it.

Over the course of a series of articles in 2025, Epworth Investment Management wants to begin to explore the significance of this omission, and to inform a conversation, via a developing engagement strategy on behalf of clients around children. For Epworth, giving children a voice in the broadening ESG landscape is not new. Epworth's parent, the Central Finance Board of the Methodist Church (CFB), saw as early as 2009 when it published a Position Paper, 'Ethical Issues Involving Children', that there was a major constituency all but ignored from an investment policy perspective. When its approach was first articulated, it pointed to 'a need for an extra ethical dimension for issues such as children's rights that transcend the traditional company sector based ethical framework'. The CFB recognised, perhaps uniquely among UK investment managers, that research on companies should identify the particular areas of ethical concern relating to children. Engagement with business was identified as needing to be 'proactive in bringing children's ethical issues to companies' attention'.

Children are impacted in two ways which we will separately explore across these articles in 2025. Whilst being inherently economically weak, they are naturally impressionable and open to 'highly suggestive' marketing and advertising practices: Sectors of impact here for instance include food and nutrition, alcohol, gambling, tobacco and vaping. The technological age we are now fully immersed in has had a compelling impact on young people. Whilst technology affords so much that can be positive, both social and educational, there is more and more evidence suggesting a deepening crisis in mental health brought about by the negatives surrounding technological addiction and misuse. The second area

children are impacted is in their global exploitation in manufacturing, agriculture and extended supply chains. Even in the UK where there is legal protection, child modern slavery is estimated to affect over 7,000 children¹. These are issues responsible companies cannot turn a blind eye to, and over which they must exercise ownership.

As pioneering ethical investors in the UK, applying Christian ethics in all we do, Epworth Investment Management strongly believes children can no longer be ignored when it comes to exercising responsible stewardship in investment. Throughout 2025 we will develop and extend our thinking on children's issues in a series of articles and with a refreshed approach to engagement. This is doubly fitting as 2024 marked the 35th anniversary of the UN Convention of the Rights of the Child, which has become one of the most supported United Nations Conventions of all time, ratified by 196² countries, and in the United Kingdom since 1992.

The Convention, across its 54 Articles, enshrine the global rights any child is entitled to. There is still much to do in implementing and ensuring every child is able to benefit from the rights therein enshrined. At the time of writing, it seems likely that the Chinese



fashion chain, Shein, now based in Singapore, will seek to list on the London Stock Exchange, potentially becoming one of the biggest IPOs (initial public offering) in recent years. More controversially, responsible investors will have to decide whether Shein meets their ethical conditions for investment given the swirling allegations of child and forced labour in the supply

chain, fears that were not allayed under the interrogation of the UK Parliament's Business and Trade Committee on January 7th. Shein in

microcosm perhaps shows why an emphasis on children is still so timely and important.

In next quarter's Investment Review, we will explore more fully how both the UN Convention and the Sustainable Development Goals can be harnessed as international protocols of 'best practice' to build thinking around children's issues, and the areas in which Epworth may strive to adopt a leadership position when it comes to children and investment.

1 Collaborative study University of Nottingham Rights Lab and ECPAT UK www.ecpat.otg.uk

2 As of July 2022 www.unicef.org.uk

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